As Peres Fails on

Necessary Votes

By Glenn Frankel

Washington Post Service
JERUSALEM — Israel's gov-

ernment was thrown into a dead-

lock on Wednesday after Foreign

Minister Shimon Peres, lacking the

votes to bring down the coalition if

clined to submit the proposal to the,

It was a victory for Prime Minis-

ter Yitzhak Shamir, who opposes

the conference, and a serious blow

for Mr. Peres, who has been a

strong supporter of the proposal as

a means of paving the way for di-

rect talks between Israel and a Jor-

danian delegation that would in-

Mr. Peres, confident that he had

enough votes to break up the 32-

month-old coalition government,

had declared that he would call for

cluded moderate Palestinians.

policy-making "inner cabinet."

ESTABLISHED 1887

World Economy Needs More Time to Grow, Baker Says

By Carl Gewirtz al Herald Tribane

PARIS - U.S. Treasury Secretary James A. Baker 3d pleaded Wednesday for critics to give gov-ernments the time needed to implement their promises to set the world on a track for more balanced conomic growth

Mr. Baker was speaking after a major meeting of industrial countries here produced no new initiaives on the growth issue.

Following the two-day annual necting of government ministers of the Organization for Economic Cooperation and Development, Mr. Baker specifically referred to the agreement in Paris in February by six of the major industrialized countries to stabilize exchange rates and promote growth in West Germany and Japan.

He said the impact from the "full implementation" of this agreement struck by finance ministers at their meeting at the Louvre, and amplified in early April at a subsequent

Barbie Quits Court, Will **Boycott Trial**

By Julian Nundy

LYON — Declaring himself "an illegal hostage," Klaus Barbie said. Wednesday he would boycott further proceedings in his trial for trimes against humanity and then eft the courtroom to return to his

The decision of the 73-year-old former SS captain, whose trial opened Monday, means that witesses will not confront him directly with testimony that he tortured m during the Nezi occupation of

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Barbic, who was expelled from Bolivia to France in 1983 to stand trial, said he considered the exputsion illegal because he had ob-

tained Bolivian citizenship.

Under Freuch law, a trial can proceed without the defendant. The judge can order the accused to be brought to the courtroom by force, but it appeared unlikely in

His departure on the third day of the trial brought an angry reaction from the prosecutor and lawyers for civil plaintiffs.

in the trial on behalf of Barbie's Jewish victims, said he represented six million "ghosts who are not lucky enough to be present at this

Pierre Truche, the state prosecutor, called Barbie "Herr Nein, Mr. No. no to everything." Recalling his earlier statement that the name Barbic must be hard to carry, Mr. Truche added, "In French, Barbie is close to barbary."

The defendant, he said, was "a rampant Nazi, a shameful Nazi See BARBIE, Page 2

Kiosk Rebels in Sudan

Down a Plane NAIROBI (UPI) — Rebel forces in southern Sudan said Wednesday they have shot down an army Hercules C-130 transport plane carrying two platoons of government troops to the strategic garrison town of Wau, but no reports on casual-

In a radio broadcast monitored in Nairobi, the Sudanese People's Liberation Army said used to shoot down the plane on Monday as it came in to land at Wan, 600 miles (about 975 kilometers) southwest of Khartourn. There was no immediate government comment on the

Special Report

BIG BANG FALLOUT Six months after Big Bang. London's financial institutions, and their customers, are grappling with new systems and changing markets.

Pages 9-15.

GENERAL NEWS Prime Minister Rajiv Ghandi takes over Punjab; 175 are arrested in crackdown. Page 2.

New research findings on the

workings of prejudice. Page 7.

BUSINESS/FINANCE U.S. retail sales inched up a meager 0.1 percent in April, the

At this week's meeting of the 24member OECD, faster growth in Japan and West Germany and rapid reduction of the U.S. budget deficit were again the key elements discussed for reducing the huge trade deficit of the United States, cutting the surpluses of these two other countries, and restoring sta-bility to foreign exchange rates. Mr. Baker said evidence that

these policies are working should become evident no later than September, taking into account that the U.S. liscal year begins Oct. 1 and the time needed for Japan to first win approval of its fiscal budget before it can submit plans for a supplementary budget which will call for additional spending of 5 trillion yen (\$35 billion).

All together, the planned actions would lift world economic growth to about 2.5 to 3 percent, a respectable rate of growth, he said, for the fifth year of expansion — the second-longest since the end of World War II. "We ought not be down in the mouth" about such a growth

rate, the Treasury secretary said.
However, the promise that policy in the three major industrialized countries will lift growth from the 2.25 percent or less forecast by the OECD secretariat last month met with considerable skepticism from the smaller countries in the organization of nations from North America, Western Europe and the

Mr. Haker cautioned that it was unrealistic to expect new commitments to emerge every time there is an international meeting, which currently occurs at about about three-week intervals in the run-up to the June summit in Venice of the heads of state of the seven leading industrialized countries.

"We ought to be pleased with sustained growth without infla-tion" at this late stage of the economic cycle, he said. The U.S. merchandise trade deficit — which last year hit \$170 bil-

lion, an imbalance that is firing protectionist sentiment in Con-selection of States and expect of to decline by some \$15 billion this year, Mr. Baker said.

scope of the supplemental budget. Conference sources reported that the Japanese are promising the

See OECD, Page 2



Foreign Minister Shimon Peres of Israel, after failing to obtain the necessary backing to dissolve the coalition government.

Executive Returns Sultan's \$10 Million Contra Gift

In Brunei, Not Much Worry Over the Wayward Donation

By Michael Richardson

SINGAPORE - Nobody in the wealthy monarchy of Brunes seems to be worrying much about its way-ward \$10 million donation to the cause of the Nicaraguan rebels, least of all Sultan Muda Hassanal

The 40-year-old sultan inhabits a palace that has 1,788 rooms and that cost at least \$250 million to build just before his country was granted independence from Britain in 1984. He is often described as palace officials deny this.

Nevertheless, among the sultan's recent purchases, according to Mr. Baker said that Japanese of-ficials had spelled out to his sais-faction the time frame and the auction in New York last month for a record \$880,000.

As a banker said in a telephone measures will boost growth to a 4 interview on Wednesday, the percent annual rate through 1990, amount of cash deposited in a double what the OECD secretariat Swiss account for the contras, as had been forecasting. the Nicaraguan rebels are called, This was taken with some skepti-was of negligible concern to Bru-

"It's chicken feed for the au-thorities here," he said. But, he added, the country was embarrassed by disclosure of the donation and of the way the money

apparently was misdirected. U.S. stigators have concluded that the sultan's donation was deposited in the wrong account, apparently Officially, Brunei is maintaining silent about the \$10 million. At his home in Bandar Seri Begawan, Deputy Foreign Minister Zakaria

Mahawangsa said he had no comment. Asked whether Brunei wanted the money refunded, he replied: "I don't know anything about that. Diplomats said the issue was sensitive in Brunei because the sul-

secretary of state for inter-American affairs. Brunei has not publicly con firmed the donation or said why it was made, However, officials have

let it be known that it was intended The sultan was interested in cul tivating good relations with the United States, diplomats said, and may have seen the donation to the

contras as a way of pleasing Washsultan might have been influenced by the donations of another oil-rich Islamic nation, Saudi Arabia, which gave the contras an estimated \$32 million in 1984 and 1985.

Brunci's wealth is drawn almost entirely from oil and natural gas. The country is estimated to have foreign exchange reserves of about \$20 billion and a per capita income of more than \$15,000, the highest in

The 29th ruler in a hereditary dynasty stretching back five centuries, the sultan has also been a generous benefactor to foreign charitable causes. In September 1984, for example, he presented a check for \$1 million to the United Nations Children's Fund to mark Brunei's acceptance as the 159th member of the United Nations.

Shortly afterward he stunned Mayor Edward I. Koch of New York by presenting him with a check for \$500,000 to provide unusual step of discussing in public meals for elderly homebound peo- what he had jotted down in private, ple in the city. In return, the mayor gave the

sultan a brass key to the city, saying to examine but not copy typed exwith a smile: "It's not gold, but it corpts from the diaries. Corazon C. Aquino of using fake ballots to win nearly all the Senate seats in the Philippine elections. Page 2. seems that Brunei doesn't need gold."

Funds Had Been Deposited In 2d Geneva Bank Account

By Thomas Netter

International Herald Tribune GENEVA — A Geneva busi-nessman who mistakenly received a \$10 million bank transfer earmarked for anti-government rebels in Nicaragua and then invested the money with another bank has voluntarily turned over the funds to the legal authorities here, officials said Wednesday.

Judge Vladimir Stemberger, the magistrate investigating the case, said the businessman, who officials said has large shipping interests. had immediately renounced any claim, to the \$10 million and \$253,000 in interest when confronted with evidence of its mistaken transfer into his account at Credit Suisse in Geneva by the sultan of Brunei in August.

The shipping business is central to the man's assertion that he had no illegal intentions. He said that because he was awaiting payment for the sale of a large vessel, he had put the \$10 million transfer into a separate account while he checked its origins, Mr. Stemberger said. U.S. investigators have said that

the man invested the \$10 million in

a certificate of deposit. Mr. Stemberger said he believed the man had acted in "good faith" in quickly confirming the location of the funds and cooperating with investigators. The man faces a relatively minor charge of misappro-

priating funds, the judge said. Credit Suisse officials said, however, that they thought the busi-nessman could not argue that he was unsure of the money's origins. The officials said they took legal action rather than approaching the man because they feared he may

have been trying to hide the money. Obviously, as a businessman ir the shipping business, he has fairly substantial turnover in his account," said a Credit Suisse spokesman, Juerg Neef. "But in any case, we feel he should have noticed that this \$10 million transfer was not his

Several other accounts involved

in the Iran-coutra affair have been

traced to Credit Suisse in Geneva by U.S. and Swiss investigators. Mr. Stemberger refused to identify Officials said he was a foreigner

living in Geneva and was married the advancement of the peace pro-to a Swiss physician. On Tuesday, cess, adding that "if you cannot the man as a Swiss businessman.

The judge would not name the bank in which the businessman had placed the \$10 million. But officials said he had deposited the money with a Geneva branch of Compag nie Financière de Paribas, a French

hank registered in Switzerland. Paribas officials had no comment. Switzerland's banking secre-cy laws forbid bank officials to divulge any information regarding accounts.

The \$10 million was transferred by the sultan of Brunei, Muda Hassanal Bolkish, to Credit Suisse in August at the request of the Reagan administration as a donation to the Nicaraguan rebels, known as ey, which was destined for a secret account run by Lieutenant Colonel Oliver L. North, went to the wrong account because the first three digits of the account number were ac-

cidentally transposed to 368 in-stead of 386. Mr. Stemberger said that the money would remain under his jurisdiction until they could deterlowed congressional investigators sentative James A. Courter, Remine whether the money and interpublican of New Jersey, Mr. est should be returned to the sultan, pervised unions have taken a pas-McFarlane said he assumed there remain sequestered or be sent to was a risk he would be taken pris- whatever destination it should

cabinet refused to endorse the pro-posal. But Wednesday he discovered that he lacked the necessary votes in the Knesset, or parliament.

Of the several small ultraorthodox religious parties holding the balance of power in the 120-member Knessel, Mr. Peres had failed to woo the four-seat Sephardi Torah Guardians to his side. That left him at least two votes short of the

Mr. Peres then postponed his trip to the United States, to begin Thursday, and began meeting with cabinet ministers of his Labor bloc and other lawmakers in an effort to break loose the votes he needs.

been immobilized, with Mr. Peres and his more dovish Labor Alignment insisting that it should be dissolved and the international conference proposal submitted to the nation through parliamentary elections. Mr. Shamir and his rightist Likud bloc argued that the plan has been rejected by the government and should be abandoned.

The proposal also has touched off a round of vitriolic rhetoric between Mr. Peres and Mr. Shamir. in contrast to the general civility that marked the first two and one half years of the coalition government.

On Tuesday, Mr. Shamir called the plan "a perverse and criminal attempt" that he blamed on Mr. Peres's "lust for power," adding that "every remnant and vestige of this plan must be swept off the

discussion table." Mr. Shamir has said the proposal would result in returning all the occupied West Bank and East Jerusalem to Arab rule and, eventually, in the establishment of an independent state ruled by the Palestine Liberation Organization, which Is-

rael considers a terrorist group. Mr. Peres, in turn, has said that Mr. Shamir and his supporters were resorting to "demagogy" and that "they want to restore the hatred, the incitement, the character assassination against me." Mr. Peres has vehemently denied he plans to talk to the PLO or to allow a Palestinian state.

Mr. Peres refused to put the proposal to a vote of the inner cabinet. evenly divided between Labor and Likud, because, he said, it was certain to split five to five on the issue. He said later that "I still have a full mandate to continue" pressing for the conference.

He said that one of the principles upon which Israel's "national unigovernment was formed was officials in Washington identified continue with the peace process, honesty as well as responsibility calls upon all of us to turn to the people and ask them to decide."

Mr. Shamir's spokesman, Avi Pazner, said the prime minister did

See ISRAEL, Page 2

State Union Leads Strike

BELGRADE - Meat plant workers have walked off the job in said Wednesday, in the first known report of a strike organized by a union since Yugoslavia became Communist in 1945. There are no legal provisions for

work stoppages in Yugoslavia. While wildcat strikes for more pay or improved working conditions have increased recently, state-susive role.

Work stoppages have increased since Feb. 26, when the government enacted legislation tying most wages to productivity and reducing some paychecks by up to 40 per-cent in an effort to master economic problems.
Politika said the meat plant

strike, involving 1,200 workers of a production unit, began Tuesday. The employees say they are owed 73 days of back pay, the daily said. The report also said that 140 workers of a furniture plant in Senj. about 75 miles (120 kilometers) southwest of Zagreb, walked off the job Tuesday to back up pay

Coal miners at Labin, 150 miles southwest of Zagreb, returned to work Monday, after reaching a compromise agreement over raises and changes by management. The strike, which began April 8, was one of the longest in recent history.

According to official statistics, there have been more than 380 spontaneous strikes this year, involving 50,000 workers.

Pressing economic problems include an annual inflation rate of nearly 100 percent, a hard currency debt of about \$19 billion and living standards that have fallen by more

Reagan Says He, Fahd **Discussed Contra Aid**

WASHINGTON - President Ronald Reagan said Wednesday that he discussed secret Saudi contributions to the Nicaraguan rebels in a private meeting with King Fahd in 1985, but he said the monarch was the one who raised the

Muda Hassanal Bolkiah

deposited in a Swiss

contras is 'chicken

authorities here.

— A Brunei banker

account for the

feed for the

"My diary shows I never brought it up," Mr. Reagan said.

"I expressed pleasure that he was doing that," Mr. Reagan said of Fahd's contributions to the cause of the rebels, known as contras, which were made at a time when U.S. assistance was banned. But, the president added, "There was no solicitation that I know of, or any-thing of the kind."

handwritten diaries. He has al-

Congressional hearings into the Iran-contra affair have delved

deeply this week into whether Reagan administration officials had solicited Saudi aid to the contras during a congressional ban on direct or indirect U.S. aid. Mr. Reagan has insisted he was unaware of any such activity.

The president commented as Robert C. McFarlane, his former national security adviser, testifying for the third day, told the joint House-Senate hearing on the Irancontra affair that he "had the means at hand" to make sure he during his secret trip to Tehran in was not kidnapped and tortured May last year.

He declined to go into details, saying it would reflect "a little bit of false bravado" to do so. Sources familiar with the trip have said previously that Mr. McFarlane carried with him what he believed to be a lethal dose of pills. Under questioning from Repre-

See McFARLANE, Page 2

Sachio Kinugasa on the playing field.

Japanese Assaults Hallowed U.S. Sports Mark

By Clyde Haberman

MANILA PROTEST — Juan Ponce Enrile, at a rally

Wednesday, accused candidates who backed President

New York Times Service TAKARAZUKA, Japan - On June 6 in Hiroshima - assuming rainouts, injuries or other imponderables do not interfere - a Japanese baseball player named Sachio Kinugasa will step onto the field and

into the record book.

That evening, he will play in his 2,130th consecutive game, equaling what had seemed an unmatchable record set almost five decades ago by Lou Gehrig of On an unusually warm spring afternoon, Mr. Kinu-

the New York Yankees. The last time Mr. Kinngasa missed an appearance was Oct. 18, 1970, when most Americans did not think

an eventual career total of 868 home runs. Now Lou early to be watching it because there were too many Gehrig's mark is about to fail, and the Japanese are games left." eagerly ticking off the days.

ing major festivities for the night the record is tied. But Iron Man Kinugasa, as he is called, has chosen to stay above the hullabaloo. The way he sees it, he is not chasing Lou Gehrig's record. It is chasing him.

"If we have a game, I want to play, that's all." he said. "I've forced myself for a long time to play despite slumps and injuries. The record itself is not the goal.

gasa sat in a hotel room, waiting for the team bus that would take him from this suburb of Osaka to a nearby stadium for Consecutive Game No. 2,097, a night much about Japan and trade talks were a topic for the sports section, not the business pages.

To have a Japanese about to break another hallowed American baseball record is a source of unbrillowed american baseball record is

dled delight for sports fans here.

Ten years ago, they cheered as Sadaharu Oh surpassed Babe Ruth and then Hank Aaron on his way to passed Babe Ruth and then Hank Aaron on his way to looked at it again. I thought to myself that it was too

At the age of 40, the Japanese Lou Gehrig is as lean In Hiroshima, where Kinugasa has played for 23 and solidly built as a rookie. And he is a man given to seasons with the adored local team, the Carp, street- easy smiles and easy conversation; something that cars carry his picture and club executives are prepar- cannot be said about many Japanese ball players.

The state of the s

considered a showboat, a flashy big spender who, former teammates recall, took his bonus money and bought a Cadillac. Actually, it was a Ford Galaxy. Kinugasa protested, but the point, he agreed, is well taken. He was a hard-drinking hell-raiser.

That was then. For many years since, as his record attests, he has been a rock of consistency and, as such, the sarariman's hero.

A sarariman - the Japanese word is taken straight from English, salaryman — is Japan's Average Joe. He is the guy who puts on a blue suit every morning, rides the train to work for an hour and a half, puts in 10 or 12 hours, drinks late into the night with colleagues, then heads home for a few hours of sleep so that he can start all over again the next day.

Like the sarariman, Mr. Kinugasa is there, as promised, every day. He shrugs off bruises and bad weather, rocky seasons and tough pitchers. A serious injury a year ago, caused when a wayward pitch smashed his left shoulder blade, almost threatened his record. But the Carp third baseman was back to pinch-hit the next night, and has been slogging away ever since.

That sort of doggedness is much admired in Japan. See BASEBALL, Page 2

Enrile Charges Fraud As Aquino Candidates **Near Sweep of Senate**

the former defense secretary who is districts, while the opposition led in the chief rival of President Corazon 23 and independents in 13. No oth-C. Aquino, on Wednesday accused er results were available. candidates supported by the administration of using false ballots

Mr. Enrile, who was fired by Mrs. Aquino in November after to win nearly all the Senate seats in some of his aides were implicated

day.

"Democracy was destroyed by people who made use of fake ballots," Mr. Enrile said at a protest in threatened a boycott of the senance "If we cannot have an honest and clean election, I don't want to be a part of it," he said.

IDenters quoting the governrally near the government's Commission on Elections.

"Victory of gold, guns and goons reading put on full alert because of plans by rightist groups to destabilize the government. No details were given.

The state-run Philippine Name of the state-run P

Police said a home-made bomb was found at the election commis- action," but that the army was presion headquarters a few hours after pared to contain any threat.] the rally. It was defused by bomb

charges and said that the voting for the Senate and House of Representatives was in general honest and

orderly. Mr. Benigno said Mrs. Aquino's "commitment to honest elections is an article of faith. She can no more cheat in the polls than Queen Elizabeth can steal money from her chambermaid."

Pro-Aquino candidates remained likely to win 23 of the 24 Senate seats as the percentage of ballots tabulated by the "quick count" of the National Citizens Movement for Free Elections reached 18.08 percent.

The official count, which was to begin Wednesday morning, was postponed because no ballots had reached the central tabulation office. Officials said they now expected the formal count to take 20 days.

Topping the unofficial count, with 2,736,983 votes, was Jovito Salonga, head of the presidential panel seeking to recover the wealth allegedly stolen by former President Ferdinand E. Marcos. Mr. Salonga was followed closely by the broadcasting star Orly Mercado and by Mrs. Aquino's brother-inlaw, Agapito Aquino. The senator who receives the

most votes usually becomes the chamber president, a post that, traditionally, has been a springboard to the presidency.

Joseph Estrada, a former movie

actor running 15th in the balloting, was the only member of Mr. Enrile's party who appeared to have won a Senate seat. Mr. Enrile was running 26th, with 1,541,364 votes.

Reagan Names Sandi Envoy

WASHINGTON - President Ronald Reagan will nominate a career diplomat. Hume Horan, 52, to be ambassador to Saudi Arabia, the

MANILA -- Juan Ponce Enrile, the 200 House of Representatives

the congressional election on Mon-in an aborted coup plot, earlier threatened a boycott of the Senate.

[Reuters, quoting the govern-ment television, reported that the Supporters of Mr. Enrile's secretary of defense, Rafael M. Grand Alliance for Democracy lleto, said that soldiers had been

Agency said Mr. Deto did not think Mr. Enrile would "resort to drastic



CLASHES IN SEOUL - About 3,000 students buttled riot police on Wednesday with stones and gasoline bombs to protest the arrest of 36 hunger strikers during a dawn raid on Seoul's Yousei University. The protesters chanted auti-government slogans and repeatedly clashed with police, who fired dozene of tear gas rounds to drive them back.

Mrs. Aquino's press secretary, Teodoro Benigno, denied the In Italy, a Political Fray Over Letter From Bishops

national human rights standards physical punishment were

By Roberto Suro

ROME - Roman Catholic bishops in Italy have entered a political debate by issuing a pastoral letter that is widely regarded as an election endorsement of the Christian

The letter, issued over the weekend, has produced a stream of hostile reactions from other parties, which have accused the church of meddling. A Christian Democratic leader responded by saying his ri-vals were bigots for criticizing the

LONDON - Amnesty Inter-

national called on Iran on

Vednesday to abandon "cruel,

inhuman" treatment of prison-

ers, including executions, flog-

gings and amputations for sexu-al, alcohol-related and criminal

The human rights organiza-tion also said that thousands of

people in Iran have been arbi-

trarily imprisoned, tortured and executed for their political or re-

A spokesman at the Iranian

Embassy here denied that politi-

cal prisoners were tortured or

executed. He defended punish-

ment for sexual, alcohol-related

or criminal offenses, saying they were prescribed under Moslem

Amnesty International said it

was appealing to the Iranian gov-

ent to conform with in

infractions.

ligious beliefs.

trying to clarify their position.

The polemics reflect a long controversy over the church's role in Italian politics as well as the ten-sions building over the parliamen-tary elections on June 14. Also, the

bishops touched on a potentially volatile political issue by calling on the faithful to defend traditional

Although the bishops' letter does not specifically mention the Christian Democrats, it includes phrases and ideas that back back to a period in the 1940s and 1950s when the church provided the Christian Caught up in the fray, the bishsometimes explicit backing.

Iran Assailed on Prisoner Treatment

to which Iran is committed by

ers of conscience, the use of tor-

ture, the death penalty and the

amputation of fingers constitute

forms of torture or cruel, inhu-

man or degrading punishment,

The organization asked that

provisions in Iran for stoning to

death, crucifixion, amputations

and floggings be replaced with

"At least six men and two

women were stoned in death in

1986 and the authorities were us-

ing a specially devised electric

ers' fingers," the group said.
About 1,100 people also were

flogged in the last year for sexual or alcohol-related offenses, it

llotine for cutting off prison-

in 6.400 sente

Amnesty International said.

The imprisonment of prison-

moral values when they vote.

Some Italian newspapers carried front page headlines such as "The Bishops: Vote Christian Democrat-ic." The letter came after a decision by the leader of the largest Catholic lay group in the country. Contunione e Liberazione, to stand for election as a Christian Democrat.

depicted the party as aligning itself with the church at a time when it is quarreling with the Socialists and other former allies. Acknowledging that not all

Catholics need come to "identical political choices," the bishops insisted, however, that "not all

passed in Tehran alone in the 12

months up to March 1987, the

■ 200 Reportedly Killed

The Baghdad-based Mujahi-

din Khalq, an Iranian opposition group, said Wednesday that its lighters killed more than 200 Ira-

nian Revolutionary Guards in

the west Iranian province of Sar-

dasht on Monday, Renters re-

The group said its men had

captured seven military bases

■ Egypt Expels Diplomats

Egypt ordered two Iranian

diplomats to leave the country

and closed their office in Cain

after an extremist Moslem group

funded by Tehran was uncov-

ered, Renters reported from Cai-

ported from Beghdad.

and destroyed two others.

and society which faith breeds." Although this is a position that Pope John Paul II has stated in his powers to New Delhi's appointed travels abroad, it has a perticular Punjab governor, Siddhartha Shanresonance in Italy.

peal existing laws on divorce in a mass killing by extremists at this 1974 and abortion in 1981.

fulness to the traditional unity of commitment by Italian Catholics," language echoing statements made when the church supported the Christian Democrats as the only defense against the Communist Party during the first few elections after World War II.

The Socialist newspaper Avanti responded to the letter by labeling it an "anachronism" and arguing that "Christian values cannot be the exclusive patrimony on one political party." Other criticism came from the centrist Republican and Liberal parties, the Communists and the rightist Social Movement.

The Socialists tempered their criticism after a spokesman for the agreement to solve long-standing Italian Episcopal Conference said une country as a whole by inghighting fundamental values and was would lead to peace in Punjab but, not ment in an independent of the extract the party. But the bishons discovered that statement was never implemented.

In response to the critics the his political strategy in Punjab and Christian Democrats' president, few agree that police action would arraide Forlant, criticized "resur-

gent anti-clericalism." He said fied after an Indian army attack on there were bigots who would prevent "the histops from pronounc- the Sikhs' holiest shrine, in June ing themselves on the important 1984. More than 1,000 people were things of life."

for their religion in predominantly Hindu India, have launched a violent campaign for a separate home

kar Ray, and the state police chief, The letter emphasized church Julio Ribeiro, India's senior career prohibitions on divorce and abor- police official. ing political choices. Virtually all from Gos with a reputation for the major political parties, except integrity and stringent law enforce-the Christian Democrats, sided ment, said the situation was extremely grim and instant results could not be achieved. He said that against the church when it unsuccessfully backed referendams to re-

uce of the president's rule in Pun-The bishops also extolled "faith-Political sources said that Mr. Gandhi's major problem was iden-tifying a group with a mass base with which to hold negotiations on a political settlement.

At the same time, the government is cracking down on Sikh extremists and sympathizers. Mr. Ribeiro said a list of people to be accessed had been circulated.

ISLIP New York (IPD) — A harve leaded with proting sachage the Prem Singh Chandumaire, coop eration minister in the Barnala can

in September 1985.

met and a vocal critic of Mr. Ribeiro, was among those arrested. Wednesday, His arrest was immediately condemned by Mr. Barnala and his colleagues. The government reached an

Mr. Ribeiro, a Roman Catholic

NEW DELHI - Prime Minister

Rajiv Gandhi's central government

Sikh grievances with Mr. Barnala's that the letter was intended to help Akali Dal party last year and there the country as a whole by highlight- was considerable optimism that it

against Barbie on Thursday.

a former Bolivian interior ministr

moned to testify on the legality of

the moves to expel Barbie from Bolivia and to describe Barbie's life

the U.S. Counter Intelligence

It was with U.S. help that Berbie.

Judge Cerdini asked Barbie at

the opening of Wednesday's ses-sion to explain his attitude toward gypsies. Jews and Slavs, all of whom were considered "inferior"

by Adolf Hitler and singled out for

He added: "I harbor no hatred

against these minorities. I never did

Later, in questioning about his recruitment by the CIC, he alleged

that his infant son was held hostage

by his American superiors to force

him to cooperate after the war.

and I do not know hatred."

Germany after the war.

WORLD BRIEFS

UN Experts Say Iraq Used Poison Gas

UNITED NATIONS, New York (UPI) - A UN team of experts said Wednesday that Iraq has made "repeated use" of poison gas against Iranian troops and civilians in the Gulf war but the panel could not

Iranian troops and civilians in the Gaif war but the paner confirm assertions that Iran is also using chemical weapons.

"There has been repeated use of chemical weapons against Iranian forces by Iraqi forces, employing aerial bombs and very probably rockets," the experts reported. "The chemical agents used are mustard gas (yperite) and probably, on some occasions, nerve agents. A new dimension is that civilians in Iran have also been injured by chemical

moved with force into Punjab on The four experts, sent by Secretary-General Javier Perez de Cuellar on Wednesday, accessing 175 people in a swift crackdown less than 48 their third investigative mission in just over three years, visited both Iran and Iraq. Iraq has contended that Iranian forces have recently used hours after taking over control of poison gas, fran has denied the allegation and said that Iraqi forces—either by mistake or intentionally—have used poison gas against their Political sources in the state capital, Chandigarh, said Mr. Gandhi own troops and civilians.

Arbiter to Review Taba Land Dispute

GENEVA (Reuters) — Egypt and Israel set out their arguments over the disputed Taba strip on the Gulf of Aqaba on Wednesday in docu-ments submitted to an arbitration panel that was established last year to

posed direct rule from New Delhi determine sovereignty.

on Monday and dismissed the Both sides agreed in September to submit the dispute to binding state's moderate chief minister, international arbitration to determine sovereignty over the 760-meter Surjit Singh Barnale, saying he had (828 yard) beach, which is held by Israel and claimed by Egypt.

The presentation of documents at a villa outside Geneva was the first in which more than 1000 canale. failed to stem the tide of violence in

The presentation of documents at a villa outside Geneva was the first in which more than 1,000 people have

a series of steps before actual arbitration begins later this year or early in been killed since he came to power 1988, officials said.

Milliant Sikhs, who see no future Smith Resigns Zimbabwe Party Posts



HARARE, Zimbabwe (UPI) -Former Prime Minister Ian Smith resigned the leadership of the Conservative Alliance party and its 14nember legislative caucus on p Wednesday. He said the caucus had elected Mark Partridge, the party's deputy president, as its new

Mr. Smith, 68, said he would continue to be a member of the party but that his active political career, after 39 years, was "drawing to a close." He said his main reason for resigning was the government's "vindictive" action following remarks he had made in South Africa opposing sanctions against that As a result of those statements

Mr. Smith was suspended from the legislature for a year after the gov-erament pushed through a motion saying the remarks amounted to contempt of the legislature.

ISLIP, New York (UPI) -- A barge loaded with rotting garbage that

has been turned away from ports in five states and three countries is welcome to return to New York for burial but the barge operator, Lowell Harrelson, has refused the offer. He said taking the trash to Islip would require costly overland trans-

port from a port in New York City to the dump. The barge, dubbed the "Flying Trashman," left New York on March 22 in search of a dumping ground for 3,186 tons of refuse. On Tuesday it was reported off the coast of Georgia and moving north.

Frank Jones, the Islip town supervisor, said the Long Island communi-

ty can accommodate another three years of garbage in its landfill and is

For the Record

Richard W. Murphy, the U.S. societant secretary of state for Near Fastern and South Asian affairs arrived in Saudi Arabia on Wednesday for talks on the Iraq-Iran war and the Arab-Israeli conflict.

A car bomb exploded in West Beirst near a Syrian Army base Wednesday. One Syrian soldier was killed and two were wounded as they tried to defuse the bomb. They were the first Syrian troop casualties since Damascus sent soldiers into the city in February. Karl Lieuss has appealed for purson to the Soviet authorities who

ced him to death 25 years Linnas, 67, was deported from the United States last month and is imprisoned in Tallim, the Estonian capital. He was convicted in 1962 of BARBIE: Accused Abandons Court taking part in mass nourders while serving as a Nazi death camp

TRAVEL UPDATE

One is Gostavo Sánchez Salazar, Air Inter, France's domestic airline, plans to offer preferential treat-ment on seating starting in April to business travelers who pay full fares. who organized Barbie's expulsion while serving as undersecretary in the ministry. Mr. Sánchez was sum-

France will create a delute first class service on some of its high-speed trains, the TGVs, and on some express trains next year. It will include dining service in compartments, video and telephones. Workers at Feeria and Avisco sirlines in Spain reached agreement Wednesday on a raise and called off five 24-hour strikes scheduled to start next week, union and company officials said.

OECD: Baker Asks Time for Growth

(Continued from Page 1) cism by others, especially countries

in Western Europe, whose trade deficit with Japan rose 12 percent in the first quarter over the yearago period.

The PC commissioner for external relations, Willy de Clercq, said that "Japan has made enough promises. There now has to be action and concrete results."

Britain's trade minister. Alan Clark, also joined the attack, saying Japan was "notorious" for its nontariff barriers against imports.
Japanese delegates reacted strongly to his comments and asked privately that he withdraw

cord, but Mr. Clark refused. In Tokyo, meantime, the Finance Ministry announced that Japan's trade surplus with the United States had reached a record \$5.15 billion in April, although the overall surplus shrank somewhat in the month At the OECD meeting, the Japa-

nese stated that their objective, in addition to stronger growth, is a rapid increase in imports and a further improvement in access to Japan's markets of foreign goods and services. They accepted in the final communique wording that was contested in early drafts.

The West Germans, however, were less forthcoming. The secretariat's proposal that growth of domestic demand, and particularly private investment, must be "sustained," or even "strengthened," and exceed substantially the growth of potential output were both dropped in the final version.

The only concession they made to doubts that the government's targets will be met was a watered down statement that "should there he a serious risk to the sustained expansion of domestic demand, especially private investment, the medium-term strategy for growth and higher employment would be adjusted as a consequence."

Martin Bangomann, West Germany's economics minister who chaired the meeting, said at a press conference that a shortfall in a single three-month period would not signal a need for change. The country experienced a decline in growth in the first quarter. But Mr. Bangemann said that

there would be an improvement in this quarter and continuing in the second-half He said his aim was to achieve a

2 percent rate of growth this year. However, last month's OECD forecast put the figure at 1.5 percent. Mr. Baker said that he was en-

couraged by the Japanese and West German commitments to spur growth, but urged the Germans "to do as much as they can as soon as they can" as "we feel they have more room."

McFARLANE: Reagan, Fahd Discussed Contra Aid

oner and tortured when he made the journey to discuss a possible arms-for hostages deal, particularly because he knew many of the U.S. government's most sensitive se-"I am consident that I had the

means at hand to foreclose my being exploited for intelligence," he Mr. Courter replied, "I think I understand," and did not directly ask Mr. McFarlane about the re-

port of pills But as he left the bearing room during a lunch break, Mr. Courter said that Mr. McFarlane "was prepared to kill himself."

He said he had not asked a direct question because he considered it too personal. In February, Mr. McFarlane was

admitted to a hospital after taking the subject. But congressional in-an overdose of tranquilizers in vestigators have said that Saudi what the police described as a suicide attempt. It was believed to be contras in 1984 and 1985.

Arabia gave \$32.5 million to the about Mr. Reagan's meeting with Fahd, coupled with the disclosure linked to the strains of the Iran-

Monday that Mr. Reagan might ded U.S. officials persistently to the entire affair. have discussed the Saudi contribu- authorize the sale of arms to Iran. tions in his meeting with Fahd. On

anything of the kind," I did know," he said, noting that he was "informed that he was

helping but I never brought it up."

The subject was never broached
until he was leaving" and the Saudi
king "told me what he was doing."
Mr. Reagan said, adding that "I expressed pleasure that he was do-

Saudi officials have denied giving aid to the contras, or that the sident and the king discussed

Mr. McFarlane said it was Mr.

to imply that the president had the Israeli Foreign Ministry, who At the White House, Mr. Reagan ing talks with Iran in mid-1985, said: "My diary shows that I never and two weeks later told him the brought it up. It shows that the Iranians were insisting that U.S.king, before he left, told me that he made missiles be part of any ar-

was doing that and that he was going to increase the aid."

Mr. Resgan added, "There was no solicitation that I know of, or directly, Mr. Kimche returned with a proposal that Israel sell American weapons to Tehran and be permitted to purchase replacements from U.S. stocks. Mr. McFarlane said Mr. Reagan approved that arrangement, and the first shipment of missiles was made shortly afterward.

> "Mr. Kimche is a very careful man," Mr. McFarlane said, adding he believes that whatever proposals he made to the Reagan ado tion were on the instructions of the Israeli government. Mr. McFarlane's testimony

The fresh disclosures occurred as about the president's handwritten contra affair. Mr. McFarlane testified that an IsMr. McFarlane had suggested on racti official. David Kimche, prodabout Mr. Reagan's involvement in Mr. McFarlane testified that an Is- diaries, have raised fresh questions "I think the effect of all the testi-

mony so far is to make it clear the Tuesday, he said he had not meant Kimche, then a senior official in president was more deeply in- Main



Robert McFarlane laughs during hearing Wednesday.

volved in these events, more aware of them as they occurred than was previously believed," said Senator George J. Mitchell, a Democrat of

BASEBALL: Japan's Kinugasa Closes In on Lou Gehrig's Game Record

(Continued from Page 1) Mr. Kinugasa says he especially

enjoys letters that schoolchildren send praising his "fighting spirit."
He is the first to admit his overall statistics are less impressive than Lou Gehrig's. He started the year with a career batting average of .271. The 1986 season was dismal. He slumped to 205 and seemed to be hanging in only to break the consecutive-game record

But he also won the Golden Glove at third base, suggesting be had not slowed down beyond redemption, and he has proved that this year by rebounding to hover among the top hitters in Japan's Central League. As of May 9, he



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With a hard swing and a taste for high, outside pitches, Mr. Kinugasa has always been a slugger. In Japan, he is fifth in career home runs, and needs only nine more to reach 500. He does not have to bother checking, though, to see if anyone is ahead of him in strikeouts. He is grant. tops, with 1,526 at the season's

"It's probably the only other record I'll ever have," he said with a

not care to discuss his father. No mention of him is made in either of Mr. Kinugasa's two authorized biographies.

prides itself on its presumed homogeneity (if one sets aside the million or so Koreans, Chinese, Southeast Asians and Westerners living in Ja-

matter, but it is an interesting cul-

The "uniqueness" of being Japa- Three convicted Palestinian ter-

and the second of the second second parts of

was batting .309, with four home obsession, and so it is striking how A former Carp teammate. Tatsuo runs and 16 runs batted in after 22 many legendary baseball stars are Okitsu, told a sports daily in 1984 not "pure Japanese."

about a moment many years earlier Mr. Kinugasa is half-black Isao when he found Kinugasa studying Harimoto, a one-time great out-fielder was Korean. So was Massi"I asked the reason," Mr. Okitsu

chi Kaneda, the Walter Johnson of recalled, "and he said he wanted to Japan with 400 career victories, go to America to look for his father Even the incomparable Sadaharu because he'd never met him. I ad-Oh was the son of a Chinese immi-vised that he would do better working extra hard on his swing instead As a boy in Kyoto, Mr. Kinugasa of his English. 'If you become the was taunted by his schoolmates. No. I player in Japan, he'll come to Years later, his background appar- see you,' I told him. He nodded, ently still weighed heavily on him. with tears in his eyes."

test to his parentage — a Japanese mother and a black father. He does

(Continued from Page 1) not intend to resigning or call elec-

It is not an especially important A statement issued by wir. Sua-mir's office said that, because the A statement issued by Mr. Shatural footnote in a country that proposal was not accepted by the inner cabinet, "the foreign minister has no mandate to act in the international arena on the subject of an international peace conference."

■ 3 Palestinians Sentenced nese often approaches a national torists were each sentenced Tues-

day to 40 years in prison by a military court in the Israeli-occupied Gaza Strip, Agence-France Presse reported from Tel Aviv. Jillal Mahmud Rabo, Bassam Ali

Azzyiam and Kemal Ali Azzyiam pleaded guilty to charges of plant-ing bombs at Beersheba, Tel Aviv, Gaza and in front of the prison at Ashkaion, where several hundred Palestinians are serving sentences.

They also were convicted of the shopping at the Gaza market.

If Barbie had remained in the court he would have heard the trial's first two witnesses, who are now scheduled to begin testifying

who does not dare go back over his

past." A lawyer representing another civil plaintiff told Barbie: "I say to you without any hatred that you

disappoint me. You are a coward."
In his statement, which he delivcred in German two hours after court reopened Wednesday, Barbie described "a climate of revenge and of lynching" in the French news One lawyer alleged later that the

defense attorney, Jacques Vergls. The other is Ethard Dahringh-had given Barbie the statement to aus, now a University of Detroit read. The defendant read from a professor, who recruited Barbie for prepared text. Mr. Vergès, who has a history of Corps in the American zone of

defending unpopular causes, de-nied the claim and said, "I am honored to defend this solitary man." who was being sought by the The presiding judge, André Cerfrench authorities, left Europe in dini. suspended the trial briefly 1951 for Bolivia. while Barbie was handcuffed by one of his police guards and taken to a cell in the Lyon courthouse.

It was the second trial this year in which a prisoner defended by Mr. Verges has refused to attend his trial.
In February, Georges Ibrahim
Abdaliah, an alleged Lebanese
guerrilla leader, made a statement
guerrilla leader, made a statement
said. "I worked under my superi-

ondenning his trial and left on its ors." opening day.

Mr. Abdallah later received a file sentence for complicity in the mur-ders of a U.S. and an Israel diplomat and in the attempted murder of the American consul in Stras-

Lawyers said that the presents tion of evidence would continue without Barbie, although it was unclear how the defense would pro-

Some observers said that Mr. Verges had a clear field to introunfettered by his client's attempts to justify his wartime role. But others said that Barbie's absence would weaken the lawyer's presen-

The next three days of the trial had been set aside for presentation of evidence and questioning of Bar-

Mr. Verges has maintained since he agreed to handle Barbie's defense in 1983 that he would turn the trial into a traumatic review of French collaboration during World Barbie faces a maximum sen-

tence of life imprisonment on

charges that involve the deportstion of many Jews from the Lyon area. He is also accused of deporting non-lewish registants whom he attempted murder of three Israelis is alleged to have tortured person-

AIDS to Be Topic at Venice

PARIS - Plans to coordinate the search for a cure for AIDS will be-

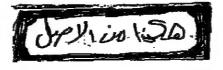
among the issues discussed at the seven-nation economic conference next month in Venice, top officials at a meeting of the Organization for Economic Cooperation and Development said here.
"We will try to discuss the problem because public opinion is very worried," said Giulio Andreotti, foreign minister in Italy's caretaker overnment, which will be the host to the Venice conference June 8-

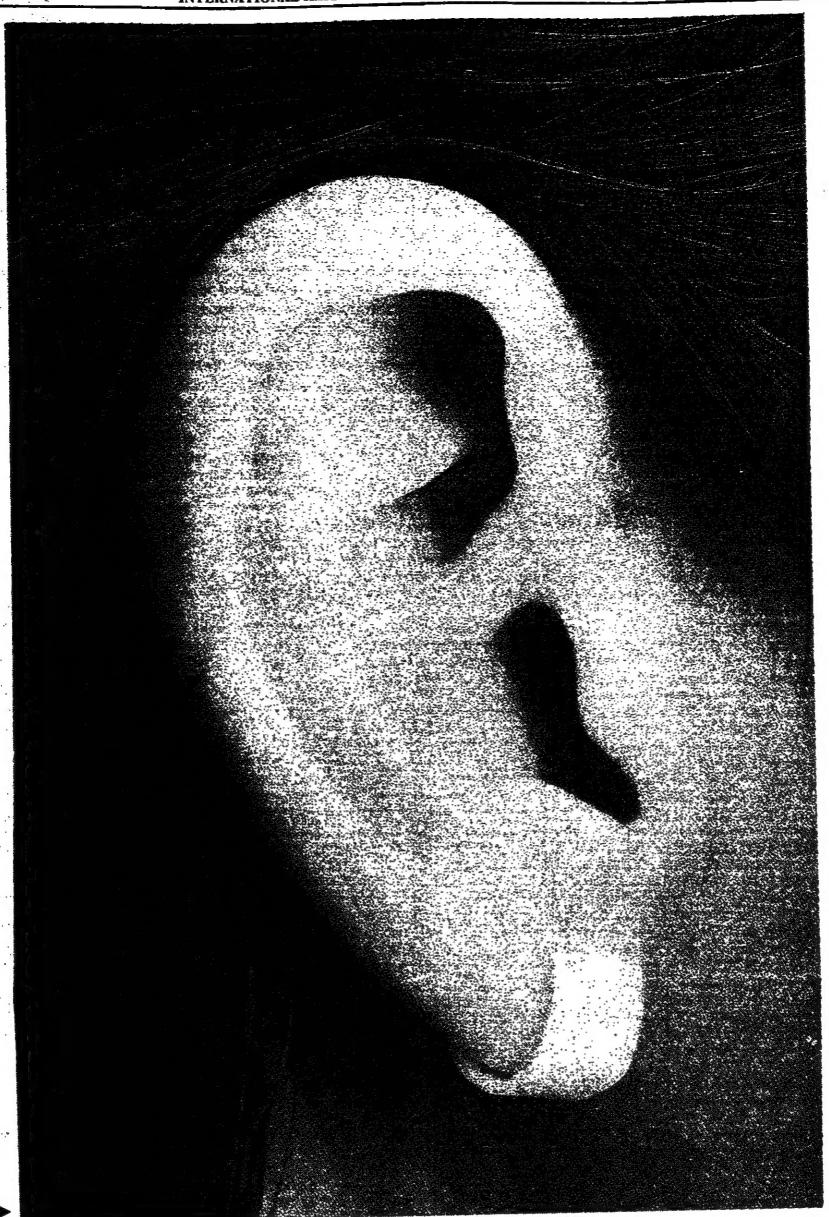
A Reagan administration official said of AIDS, "I see it becoming s important as terrorism and drogs have been at other summits." Many of the finance and foreign ministers who will be in Venice are in Paris for the meeting of the OECD, which is made up of the world's 24 main industrial countries.
Official deliberations are held to economic issues, but other topics

have emerged. In comments outside their meeting room, officials said

that AIDS, or acquired immane deficiency syndrome, would be

widely discussed in Venice. A member of the U.S. delegation in Paris, which is led by Treasury Secretary James A. Baker 3d, said the spread of AIDS, especially in some African countries, was becoming a matter of political and economic policy, not solely one of health.





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Gulf: Parallel Courses

Union are working in tandem, or at less in that oppose an Iranian victory in the war parallel, in a Third World hot spot. This rare to base policy exclusively on a regard for spectacle is unfolding in the Gulf, where free navigation, where Iraq is the worse both countries have offered to protect the offender. But it leaves thom free to support shipping of Kuwait, an ally of Iraq. against braman attack. The effort does not replace gion," in President Reagan's words. the two powers' long-term rivalry in a strate-gic region. On the contrary, the various pro-posals to escort and defend tankers and the two powers' long-term rivalry in a strateother cargo vessels are a form of that competition. But it is a form that holds some promise to move the seemingly interminable war in the Gulf toward an end.

The Soviet and American approaches arise from a peculiar fact of the war, fran and lrac, unable to effect a decision in battle on land, have increasingly sought to choke each other off at sea. But sea lanes are in international waters where other

Suddenly the United States and the Soviet for the United States and other countries "the self-defense of our friends in the re-

> reach for a larger diplomatic role in the Arab-Israeli dispute. On both matters, Washington is properly wary of seeing Mos-cow penetrate traditional Western preserves.

In respect to the Gulf, however, Americans note that in making their move, the Soviets are serving Western interests —free navigation, assuring the flow of oil to the West. Further, Moscow is acting on the American premise that it is vital to check a land war — though not without risk.

Iraq, aware that the Gulf is Iran's only outlet (Iraq can export oil by pipeline), has shot up more Iranian shipping than Iran has shot up ships headed to or from Iraq and Iraq's Gulf allies. That makes it hard

What Sort of Tax Rise?

The budget resolutions of both the U.S. House and Senate call for an \$18 billion tax. Ways and Means Committee chairman, increase next year. If that is what the tax. Dan Rostenkowski, prefers this alternative committees are instructed to produce, how should they do it? The best way would be years ago - but Westerners, whose constitthrough the income tax. A first step, as House Speaker Jim Wright has suggested, would be to defer next year's scheduled final cut in the top rate to 28 percent from 33 percent. The top rate already was low-ered from 70 percent when President Resgan took office. Yet the income tax is still the most progressive tax the government has, and it is so large that \$18 billion could be raised with only minor adjustment.

The problem, of course, is that the president is proved of the rate cuts, which were part of last year's bargain on tax reform. He says he will veto any rate increase, and there is little disposition in Congress to dispute him. The fairest, most efficient kind of tax three; but it is a brave politician who will increase has pretty well been ruled out; the committees are reduced to second-bests.

By default, they are thus foraging among the excise taxes. The virtue is that it is in society's interest to discourage consumption of the three leading items on which excise taxes are levied - gasoline, alcohol and tobacco. The defect is that excise taxes are regressive and there is not much revenue to be had. The total now collected from all excise taxes is about \$33 billion a year.

The gasoline tax, which at 9 cents a about half the revenue that the budget resolution is likely to require in the first year (it

- prices still would be lower than several nents often must drive long distances, are opposed. A broader energy tax, on all oil, for example, would spread the burden more evenly. A third variation is an oil import fee. This is popular in oil-producing states because it would give domestic producers shelter to raise their prices, but it is resisted in the import-dependent East. Our sense is

that the gasoline tax is the cleanest of these. The alcohol taxes now produce about \$6 billion a year. Most of that comes from hard liquor, whose alcohol content is taxed much more heavily than the alcohol in beer or wine. One alternative would be to equalize the alcohol-adjusted taxes among the propose to raise the beer tax. One argument for raising these taxes is to put a penalty on drinking, with its attendant costs. The same is true for cigarettes, on which the tax of 16 cents a pack produces \$4.5 billion a year. Estimators think that, while deterring young smokers particularly, a doubling of the tax would yield \$3 billion annually.

Administration officials have occasionally coyly indicated that, if there has to be a tax increase, an increase in excise taxes and the "sin" taxes would be preferable. In this pallon raises \$9 billion a year, is the largest.

A further dime a gallon would produce a tax on income every time. But that may be all the political system can now produce.

- THE WASHINGTON POST.

Judging Meese, Again

It is no longer remarkable to find the U.S. attorney general under investigation by a special prosecutor. The case of the Wedtech Corporation marks the third time an independent counsel, appointed by a court under the Ethics in Government Act, has scrutinized Edwin Meese's conduct - twice at his own request. But remarkably, Mr. Meese continues to denounce as unconstitutional the law that allows such inquiries.

He argues that the independent counsel law invades the powers of the executive branch by creating a prosecutor not subject to dismissal by the president. That is the essence of the post-Watergate reform that prevents something like Richard Nixon's 1973 firing of the prosecutor Archibeld Cox.

When a high-ranking government official comes under suspicion, existing federal ma-chinery often cannot do a credible investigation. In the Wedtech case, the public cannot be expected to believe that the Justice Department would prosecute its boss vigorously

that investigation to an independent counsel. Such a counsel is already looking into the Wedtech dealings of Lyn Nofziger, Mr. Meese's longtime political associate.

An independent counsel requested by Mr. Meese three years ago made his confirmation as attorney general possible by clearing him of criminal wrongdoing in the doling out of White House jobs to creditors and friends. The current investigation by Lawrence Walsh, the independent coursel in the Iran-contra case, could benefit Mr. Meese, whose own lumbering inquiry raised suspicions.

The attorney general, whose demeanor ought to be a model for law enforcement sensitivity, would do well to monitor his own behavior better - and to stop bed-mouthing the very law that can clear him.

- THE NEW YORK TIMES.

Porpoises and Permits

Each year Japan sends a fleet to U.S. waters to fish for salmon. In the process, porpoises become entangled and die in nyon nets that are invisible to their sonar. A permit that allows this "incidental" catch is up for renewal. The Commerce Department should allow the Japanese some leeway despite the objections of conservationists. The porpoises are in no danger of extinction, and denying the permit would run against

Conservationists argue that not enough is known about the porpoise populations to issue a permit. They point out that the fleet operates in a calving area, and that each pregnant or lactating female killed equals two deaths. The Japanese want to renew the permit at 5,500 a year, or at the very least 4,000. An administrative law judge's conclusion that the right number is 1,750 has left to one happy. The Japanese threaten to scuttle other fishing agreements and conservationists talk of lawsuits, should Com-

merce adopt the recommendation. The Marine Mammal Protection Act seeks to reduce incidental fishing mortality to insignificant levels. It also provides for kill permits during commercial lishing so long as

species are not depleted. Thus the Japanese have been allowed to kill up to 5,500 Dail's porpoises a year since 1981. They have never reached that limit. Last year the number was near 1,500; in 1985 it was about 2,700. Judge Hugh Dolan would reduce the quota to

roughly the five-year average.
The Japanese want a higher number to cushion against normal fluctuations in the mortality rate; otherwise the fleet could be shut down. Some conservationists would like just that, since drift nets are destructive to marine mammals and sea birds. But denying the permit would rob the United States of leverage in future negotiations and invite the Japanese to renege on agreements like one that restricts salmon fishing in the Bering Sea, It also would discourage their research on less barmful nets.

The Commerce Department should issue a permit of less than 5,500 but at least 1,750. If the permit were issued for two years instead of five, any hardship on the porpoises or the fishermen would affect only two seasons. Protecting porpoise populations and catching fish need not

he mutually exclusive. - THE NEW YORK TIMES.

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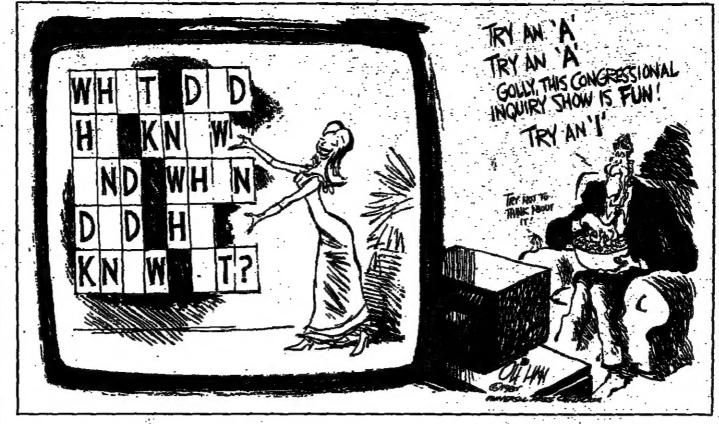
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Managing Dir. Asia: Michael Richardson, 5 Conserbusy Rd., Singapore 0511, Tel.472-7763, Th. RSS6928
Managing Dir. Asia: Michael Genv, 50 Gouester Rood, Hong Kong, Tel. 5-8610616, Telex: 61170
Managing Dir. U.K.: Robin MackSichar, 63 Long Acre., London W.C.. Tel. 836-802. Telex: 262009
Gen. Mgr. W. Gernany: W. Lauterbach, Freshirker, 15, 6000 Frankfurtt M. Tel. (069) 726755. Th. 416721
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Independent Americans Turn to a No-Party System

N EW YORK — The sudden departure of Gary Hart from the campaign has, strangely enough, probably not altered the Democratic nomination or the presidential outcome. Before his exit, Mr. Hart was clearly his party's front-runner, just as Vice President George Bush has had a handy lead in the Republican sweepstakes. In both cases, the polls have placed them around the 50 percent mark and found their competitors strugging to set into the double digits. Only Senator

percent mark and found their compenions sing-gling to get into the double digits. Only Senator Bob Dole in the Republican Party has seemed to be close enough to being a serious contender. Yet the margin of their standing was more apparent than real. In political terms, their support has been "soft" — broader than it was deep. Indeed, the perceived volumerability of both Mr. Bush and Mr. Hart had induced a bery of other candidates on both sides into the field. The races, especially in the Democratic Tr. especially in the Democratic Party, were wide open

wen before Mr. Hart dropped out.

Why is this? Usually such large margins by front-runners would discourage new entrants. The reason, I think, is a general misconception about modern American politics. Informed opinion still thinks it terms of matter and if the Department and thinks in terms of party, as if the Democratic and Republican parties possessed a general, if some-what vague, coherence, as if people still held to inherited or acquired allegiances; as if the parties, even as they justle for uncommitted voters, embodied significant differences.

Actually the words "Democratic" and "Republican" have lost their historic meanings and no longer lay claim to traditional ties and presumed loyalties. Everywhere, voters examine candidates without regard to labels or enrollment. If they like what they see, as in the case of President Reagan, they are happy to disregard party lines (he himself was once a Democrat); if they find him wanting, like Mr. Hart, the rejection is quick and decisive.

The fact is that America no longer has a two-

party system but rather a no-party system. The independents in both parties now outnumber pre-dictable party voters. Some polls indicate that a majority no longer consider themselves Democrats idents in both parties now outnumber preor Republicans, and tend to measure candidates by their freedom from partisan commitment.

They also reject leaders of their own constituencies who try to influence them. Labor unions supported Walter Mondale in 1984 only to discovBy Richard C. Wade

er that half their membership abandoned them for Ronald Reagan. In the same way, black voters disregarded the choice of most of their spokesmen and went in droves for the Reverend Jesse Jackson in the Democratic primaries.

Eurollees of both parties jump ship regularly. Even popular elected officials are quick to point out that their support is hardly ever transferable to other candidates. And millions of citizens have dropped out of politics altogether; barely half even bother to vote in presidential elections.

This rampant independence is a central fact of contemporary politics. And its sources are not hard

Today's voters are notoriously unpredictable. Candidates will have to deal with great volatility.

to discover. An almost continuous prosperity since World War II has produced a generation that does not need politics for jobs or success. Television has replaced parties as a mediator between candidates and citizens, withering the grasaroots organizations that once nomished political activity. In addition, a string of public acandals beginning with Watergate has bred a corrosive cymicism about the entire democratic process. The result is a skeptical electorate that tracts its cross independent core than the ate that trusts its own judgment more than the established sources of political authority - parties, elected officials or civic leaders.

The case of the Republican Party is instructive. A sitting vice president, George Bush, is chal-lenged by the majority leader of his own party, Bob-Dole. A conservative representative, Jack Kemp; and a former senator, Paul Laxalt; lay conflicting cizins to the legacy of a popular, if weakened, president. And a preacher, Part Robertson, almost embushed the front runner in a Michigan presidential caucus. The conservative captivity of the Republican Party that began with Barry Goldwa-ter's candidacy in 1964 has disintegrated into argument over who is the "real conservative."

segment of the party —the blacks — but he has yet to attract the other colors of the "minbow coalition." The younger generation of presidential ho-pefuls argue that what is needed are "new faces"

and "new ideas" to attract the "baby-boomers."

But, in searching desperately for the "new,"
candidates neglect the historic roots that made the Democratic Party successful for years. These aspirants — Governors Brace Babbitt and Michael Duiakis, Senators Joseph Baien and Albert Gore, and Representative Richard Gephardt — are vari-outly called "neo-liberals" or "high-tech Democrais." Their sophisticated polling and computer-ized campaigns emphasize the perceived wishes of the younger voters, who dominate demographic harts but who do not vote in very large munbers.

Another part of the party espouses more tradi-tional themes, claiming that economic and social justice at home and democratic intervention abroad are as important today as in the past. And it makes no apology for the New Deal and its successors, the New Frontier and the Great Society. The most prominent spokesmen for this posi-tion are not candidates, namely Senator Edward Kennedy and Governor Mario Cuomo.

The one announced candidate who has picked up the flag is Paul Simon, a senator from Illinois. He describes himself this way: "I am not a neoanything. I am a Democrat." And he asserts that the historic Democratic heritage still makes good politics. An unabashed liberal, he has repeatedly won elections in southern Illimois, one of the most conservative regions in the nation.

Neither party, though, carries out its intramural debate within the confines of a well-defined constituency. No matter what their registration, the woters will exercise an independent judgment in both the primaries and the general election. They are notoriously unpredictable and constitute a fitting bettleground for the adversaries in this new no-nerty system. All of the hoofuls will have to no-party system. All of the hopefuls will have to contend with this volatility. Gary Hart has demonstrated that only five days separates the "clear front runner" from no candidacy at all.

The writer is a professor of urban history at the Graduate Center, City University of New York. He

No Fiscal Locomotive Can Pull a Deficit-Heavy Train

P ARIS — in talks here this week, Treasury Secretary James Baker has tried to persuade his European

opposite numbers that the United States is delivering on the pledge to reduce its buse budget deficit.
It is essential that he do so: With considerable logic, his counterparts argue that if Mr. Baker is so insistent on creating a fiscal "locomotive" in

Western Europe and in Japan to Western Europe and in Japan to stimulate global growth, the promised American part of the bargain must be sharp deficit reduction.

That is supposed to be the essential cooperative method for reducing the huge trade imbalances that plague

the world economy: the deficit in the U.S. account, and the surpluses in Western Europe and Japan.

Yet the view in Europe on the locomotive theory is sharply divided. Within the international research agency for major industrial nations, the OECD, there is a strong consensus. It is that the economies of West Germany, Japan and other nations that can expand should do so, not just to help lower the U.S. trade delicit, but in the interest of their own living stan-

By Hobart Rowen dards and to foster world trade. too early in their effort to force the
The OECD position is that if the dollar lower — a judgment in which
United States and its major partners
do not exceed such commitments.

In any such the shape of the

In any event, the shape of this and deliver on them, the trade imbaland deliver on them, the trade imbal-ances will continue indefinitely.

But some others here are dubious strategy for the Venice session. The that a more aggressive pumping up of the European and Japanese econoscenario, as laid out, still calls for the European and Japanese como-budgetary retrenchment in the Unit-mics can do much to boost global ed States and expansion elsewhere. growth. A paper prepared by Europe-ans for a recent forum spousored by

To Europeans here, Mr. Baker is not convincing on the American role. the Center for Strategic and Interna-tional Studies says the presumed global benefits of the locomotive the-in the U.S. deficit if President Reagan ory are wildly engagerated. It offers clings to his nay-saying on a tax rise, this grim warning to the Venice coo.

Some Americans do not disagree

momic summit meeting next mouth:

"Little that the principal Western nonpartisan Committee for a Repartners can do in the short term will break the effect of the very serious imbalances that have been allowed to likely to be taken by Congress this emerge over the last few years.

What most needs to be done will structural deficit problem still fac-... What most needs to be done will structural deficit problem still fac-require not only time, but political ing the United States five years into

esseverance of an exceptional order." an economic recovery."

The implication of that gloomy asessment is that Baker and Co. quit

Democratic proposal similar to a

House package passed earlier. It would cut the deficit by about \$37 billion for fiscal 1988 rather than the impossible \$62 billion called for by the Gramm-Rudman-Hollings law. Like the House, the Senate would

get about half of the \$37 billion budget reduction for fiscal 1988, or \$18 billion, through tax increases. The senators came up with one new wrinkle: a provision that would allow for billion increase in military spending, but only if the president would accept \$7 billion in new taxes.

There are moves in both houses to put new life in the budget-balancing law by creating a more realistic timetable for it. Another idea is to find a way of restoring the automatic reduction mechanism, which worked well before the Supreme Court rejected it. The revised timetable would add a

The revised timetable would add a year to the 1991 target date for a balanced budget. This would recognize that the Granun-Rudman deficit target of \$108 billion cannot be schieved in 1988, but might be in 1989 if something like the proposed \$37 billion reduction took effect. That would cut the deficit for 1988 to around \$135 billion.

Taking two years, instead of one, to accomplish a huge budget reduction makes sense at a time when the economy is shely. But to have any chance at all, these proposals for serious deficit reductions must have as a base the president's willingness to raise taxes to the degree suggested by the congres-sional Democrats. And whether any of it will then offer relief for the global

toomony remains to be seen.
The Washington Post.

Out at Sea, Deterrence Can Work

By Christoph Bertram

HAMBURG—The happling over how to respond to Moscow's latest proposals on missiles is dispurbing, and not only for the disarray it shows up in the Atlantic alliance. For it also underscores the fact that the West is merely reacting when it should be taking the initiative to define how security and deterrence in Enrope can be maintained.

Enrope's security and deterrence now-depend on the presence of large conventional forces, including about 320,000 American troops, compled with U.S. miclear weapons. Some of the latter are bound to be withdrawn as a result of the emerging U.S.-Sovi-ci agreement on intermediate-range nuclear weapons. Others will remain, in particular the almost 5,000 "battle-field" nuclear weapons, for use by artillery, aircraft and ships.

There are also a few hundred Brit-

ish and French nuclear warheads, some U.S. strategic missiles allocated to the North Atlantic Treaty Organization's supreme European com-mender, and a score of U.S. sealaunched cruise missiles.

But once the intermediate-range missiles are removed, the rest is largely

of doubtful deterrence value. Take the battlefield weapons, which have been poured into Europe almost mindlessly to reasone nervous allies. Most use delivery systems of very short range. In a crisis, they would give a scarcely credible signal to a potential aggressor: that the West not only would use these weapons despite the attendant risks, but would release them early enough to make any differ-ence in a European conflict.

U.S. strategic forces are also doubtful deterrents. They are simply too big a bang. To use them would be the last step to worldwide nuclear war. They could scarcely put the fear of defeat into an aggressor with limited military objectives in Western Europe.

So the European governments' fear about being left with these systems is understandable. But the attempt to hold onto the remaining systems is misplaced. To block the Soviet propossil to ben all missiles of a range of 300 to 600 miles (about 500 to 1,000 kilometers) from Europe is a restrguard action that the West cannot win. It also locks Western governments into short-term reactions when long-term thinking is needed.

NATO governments should accept the Soviet challenge and put deterrence on a sounder basis. Apart from sufficient conventional forces, that re-quires a small number of credible nu-clear weapons. They would have to be stationed well to the rear instead of being at the front lines (where they could be overrum or create pressure on political anthorities for premature firing); they would be mobile, not in vulnerable fixed positions where they would invite a Soviet pre-emptive at-tack; and they would be linked to deterring conflict, not precipitating it.

A weapon exists that combine these conditions. It is already being deployed in European waters: the Tomshawk sea-launched cruise mis-sile, carried on U.S. warships. The navy has ordered 4,000 of these weapons, of which up to one-fourth are expected to carry nuclear charges.

A small number of these missiles, dedicated to the European theater. would allow NATO to get rid of questionable short-range systems and to base deterrence in Europe on polit-

ically and militarily sensible forces. There are problems with this pro-posal. The U.S. Navy has always been reluciant to have its cruise missiles allocated to any specific region, view-ing them as a "floating" asset. That attitude would have to be revised. And NATO's supreme Enropean com-mander would have to be given authority over a sea-going cruise missile force in European waters, just as he has authority over all U.S. nuclear weapons based on land in Europe. No less important, a cruise missile

force dedicated to Europe must involve Europeans. European vessels could excort the missile carriers, which should be based in Europe. There would be political reservations about this, but they could be overcome if the creation of the new force were clearly coupled to the re-moval of all existing land-based nu-

clear capabilities from the continent. The West cannot afford to let Mik-hail Gorbachev define its deterrence needs. It must regain the initiative, in the interest of security and of arms control. A dedicated sea-going force of cruise missiles, attached to Europe, would serve these interests well,

The writer is diplomatic correspondent of Die Zeit in Hamburg, and former director of the International Institute for Strategic Studies. He con-tributed this to the Los Angeles Times.

If Jordan Wants Peace, It Must Act

do not expand such come

WASHINGTON - An Arab plea for peace with Israel is most heartily to be welcomed, especially when it comes from Jordan's ambassador to Washington, Mohamed Kamal ("A Jordanian Appeal: American Jews Can Help," IHT, April 20). But the authenticity of his plea must be questioned.

He insists, for instance, that Israel compromise for the sake of peace, but he has nothing to say about any possible Arab compromise. Yet, in this matter, Israel needs no prodding. It has proved by deeds, in its peace tresty with Egypt, how farreaching are the concessions it is pre-

pared to make for peace.

The ambassador mentions Israel's military occupation of Judea-Samarin (the "West Bank") since 1967, but he is strangely silent about Jordan's military occupation of that area for 19 years before 1967. During that time, the area was constantly used as a launching pad for armed incur-sions into Israel. In fact, Israel has tragically experienced many decades of protracted war, terrorism and hateful incitement systematically unleashed by the Arab world with the avowed aim of destroying Israel. Arab hostility set the stage long before larad appeared in Judea-Sa-

By Meir Rosenne The writer is Israel's ambassador to the United States.

establishment in 1948. Organized attroks against the Jewish people of Palestine were common enough in the late 1920s and 1930s. Moreover, a look at the PLO's intransigent hard line — as seen in the Algiers meeting of the PLO National Council, Yasser Arafat's remuciation of his 1985 accord with King Hussein, and the PLO's condemnation of Egypt's peace treaty with Israel — shows

where the obstacles to peace lie.
In fanking the United States for withholding arms from moderate Arab states such as Jordan and Sandi Arabia, Mr. Kamal ignores the fact that there is no such restriction on U.S. military aid to Egypt, a moderate Arab state. The key to a definition of moderation and friendship is action for peace, not mere words. And there is something demeaning about Mr. Kamal's blaming the

American Jewish "pro-Israel lob-by" for U.S. support for Israel — as though there were not objective American national interests and profound moral values underlying that support. It is the U.S. adminismoria in 1967 - long before Israel's tration and Congress that deter-

mine American foreign policy, not any other country.
Inadvertently, Mr. Kamal has laid bare the essence of the Arab-Israeli conflict: the Arab inability

truly to accept the historical and moral legitimacy of the Jewish state.

By ascribing the establishment of Israel to the "centuries old Jewish yearning for permanent refuge against discrimination and oppression," he shows the Arabs' lack of understanding of the basis for the Jewish people's bond with Israel. The age-old Jewish yearning was

not merely for a refuge, but for its historic national-religious home-land, the Land of Israel. To misconstrue the Jewish people's link to the Land of Israel amounts to a denial of the validity of that bond, and thus of Israel's rights.

From here it is but a step to the traditional Arab charge, repeated by Mr. Kamal, that Israel has been imposed" on the region.

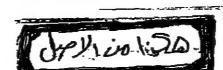
If Jordan wants peace, it need only accept the Israeli government's open invitation to join it in peace talks. The Jordanian government and its king would encounter the same over-Whelmingly friendly response as did Anwar Sadat in 1977, from an Israeli public passionately eager for peace. The Washington Post.

IN OUR PAGES, 75 AND 50 YEARS AGO 1912: Tait on the Trail 1937: Hemingway Reads

WASHINGTON - President W.H. PARIS - Ernest Hemingway once Taft has issued an appeal to the worn-defined courage as "grace under presen of California, where the State pri- sure." He was under pressure dent of the United States. NEW YORK — The war between

Mr. Taft and Theodore Roosevelt ing the country if they fed the ego-tism and vanity of Mr. Roosevelt by putting him in office again.

mary elections take place [on May Wednesday night [May 12] at Sylvia 14], and where the women's vote is an Beach's Shakespeare and Company uncertain factor. The appeal cites the Library, and he knew it. As he threw achievements of the President during his 210 pounds into the little room, he his tenure of office, including the cursed, said that this was the first treation of a children's bureau managed by women. This appeal is the works, and he would never do it first of the kind ever made by a Presi-again, even for Sylvia Beach. He sat again, even for Sylvia Beach. He sat down and started to thumb the pages of his yet unpublished novel. "I den't know whether I can do this," he said. reached a degree of unprecedented intensity [on May 13], when the President, speaking at Cambridge, Ohio, thatly accused his predecessor of trom Havana to get martin in the trying to "honeyinggle" the American people." Mr. Taff wamed his funshed he took another bottle of hearers that they would be jeopardized. beer and stopped. And when the applause had become a patter, James Joyce, who had been sitting in the back, got up and walked out.



OPINION

Living 'as the Soul Directs': The Crimes of a Soviet Poet

By George F. Will

WASHINGTON - The brunch menu at one of Washington's posh hotels reminds Irina Ratushinskaya of the story of the donkey who, placed midway between two feed bags, starved to death from indecision. Not long ago, mealtime choice was not a problem for Miss Ratushinskaya, whose lunch was spoiled cabbage floating in salty water. Supper was an un-

cleaned fish in salty water. Four years ago she was 29, and received the harshest sentence a woman political prisoner in the Soviet Union

> She does not seem to feel that the choices that brought her to the Gulag were choices; they were as natural as breaths.

has received since the Stalin era: seven years' hard labor in a camp for "espe-cially dangerous state criminals." Miss Ratushinskaya's principal crime

was writing poetry.

She describes her poetry as unpolitical, but nothing is considered unpolitical by a totalitarian regime. Furthermore, her poetry expresses a religious sensibility, for which she credits the regime. Just as boring Sunday schools have produced unbelievers, the reaction of 8-year-old Irina to anti-religious pro-

paganda in school was: God matters.
Poetry and human rights activism led first to six months of interrogation in the KGB's Kiev prison, used for Gestapo interrogations after the Soviet-Nazi pact fell apart and Kiev was in German hands. She was transported to the labor camp in a windowless cargo car — another echo of Soviet-Nazi affinities. When Miss Ratushinskaya confronted the provocations of camp authorities, this woman with the mild surface displayed a porcupine personality, bris-

tling with spiky resistance. She does not speak as though — she does not seem to feel — that the choices that brought her to the Gulag, and then to torture and the edge of death, were choices. Her moral metabolism made the choices as natural as breaths. Because of her spiritedness, camp authori-ties shaved her head. When she fasted to protest mistreatment of others, she was handcuffed and force-fed by six men. Knocked unconscious in the struggle,

she had liquids poured down her throat. Swollen from the salty diet, she spent much time in icy punishment cells where at times she was fed only every other day. Yet she used matchsticks to carve poems into soap bars, memorized them, hen washed them away:

We live stubbornly, like a small beast who's gnawed off his paw to get out of a trap on three. We've mastered that science

And with brave smile that way the wounds are bandaged

She could share her poems, as she did with her two guards, who asked her to recite an example of her criminal deeds. They were struck by this glimpse of beauty and intelligence in their barren world, but had no paper. So one guard transcribed the poem on the other

Miss Ratushinskaya has large brown eyes that do not blink often; they have seen much. Her matter-of-factness about her pilgrimage through fire makes an untested Westerner feel as flimsy as papier-maché. Isolated, tortured, ha-rassed, starved, exhausted, frozen, she could at any time have won release by signing an acknowledgment of "guilt." She never considered that. Instead, she fought the enforced senselessness camp life, the petty regulations and du-ties by which the authorities seek to

break spirits and flatten personalities. Because of the gentleness of life in good societies, we can live long lives and never need to be as brave as she was daily, instinctively. In her prison poems, her voice was at times almost jaunty:

Well, we'll live as the soul directs not asking for other bread.

And I will get myself a tame mouse while having a dog is impossible . . . He and I will invent a land where there are neither cats nor

We'll make a home behind any bars, beyond any February — spring ... We'll raise a dog anyway, but in better times

.Those who believe that the release of Miss Ratushinskaya and a few others like her means much better times for her country should hear her contrary opinion. She knows that she is out only because she is a poet, and that thou-sands of others languish because they have no comparable hold on the world's imagination. That is why she cannot yet know the case she imagined in prison, the contentment of being able to say,

We'll unsaddle the day - to graze." She was released from prison the day before the Iceland summit meeting, as a party favor for the West, a sign of Soviet interest in new agreements. So ended the saga that began when the KGB raided her apartment and seized books they described as "ideologically dangerous." The books included a volume of international agreements to which the Soviet Union has subscribed.

Washington Post Writers Group.



Just When I Was Prepared For Nothing to Go Right . . . **By Richard Reeves**

N EW YORK — Like a jerk. I lost my wallet in midtown Manhattan last Tuesday, I had trouble sleeping, thinking about Wennesday and the agony of waiting in long lines to prove I existed by getting a new driver's license, bank card. credit cards and all the rest.

My only consolation was that I could write this column using the hassle and the

MEANWHILE

long lines as a metaphor to show that nothing works anymore in America. I composed whole paragraphs in bed: the confusion in airports with passengers and planes stacked up everywhere; the lousy service in stores that no longer seem to have clerks; being put on hold and being bombarded by Mantovani and commercials until the dial tone returns.

"Lean and mean" American business sometimes means no human beings on the other end of the telephone. And long lines and surl; clerks. New Yorkers with

rt. to solve the U.S. trade deficit prob-

lem. Mr. Gephardt believes that Japan

Americans living abroad are already

familiar with Mr. Gephardt's brawny

views on trade, and we have felt the sting

of his inspirational paddle. Last year,

and for several years previously, he pushed hard in the Congress for the elimination of Section 911 of the Tax

Code, which gives Americans working abroad a limited exclusion of foreign-

lions of dollars in lost exports each year.

other successful exporting countries go

out of their way to support their citizens working abroad. Has he not thought it

curious that none of America's trade

competitors taxes the foreign source in-

come of its citizens living in the United

Given the excitement about Mr. Gep-

hardt's prospects for the White House,

and the fact that he wants to get there as

a champion of improved trade perfor-

mance, the two million overseas Ameri-

cans should ask what will happen if he is

elected. On his past performance, we are

States or anywhere else?

We ask Mr. Gephardt why Japan and

earned income from their U.S. taxes

strong dose of the "big stick."

That one was easy. At the Chemical Bank branch around the corner, the assistant manager said: Your branch is in Sag Harbor? That's almost a hundred miles away. You'd better fill out this form."

get your new card ready."

That took 30 seconds. Name, address, account number. "O.K.," he said with a smile. "You'll get a new card in the mail within 10 days."
"Yeah," I said, "but how do I get

money. I hear, are hiring poorer people

to wait in lines for them at places such as government agencies and airline offices.

know the system from Third World

So, Wednesday finally dawned as one

of the worst days of my life. After

screaming at the baby and turning her

over to her sister, I left for the lines at

10:40 A.M. I was on East 86th Street,

and my first stop was at the American

Express main office on lower Broadway.

you," the receptionist said, mentioning that the computer showed I had reported my credit card missing. "I am sorry,

but it will take us another 10 minutes to

Mr. Reeves? We've been expecting

countries like Pakistan and Indonesia.

money without a card to put in the cash machine." He approved my check right there and I walked out with \$200.

But all that was in the private sector. Now it was Kafka time: the Department of Motor Vehicles.

"New or renewal?" said the lady at the information desk near City Hall. "Well, I lost my license," I said. "Renewal," she barked. "Fill out Form

44, then go to the yellow chain." It seemed to be half a mile away. But after filing out the short form - name, address, birthdate - I went to my assigned chain. Only six people were ahead of me. There were also two "expediters" to

Some of us have never understood the sense of the United States harassing its help us with any questions.
In five minutes, I was facing a woman entrepreneurs overseas, and giving emwearing a tag that said "L. Blocker," She ployers financial incentive not to hire looked at my form and said, "Six-fifty." Americans for jobs abroad. President I paid and she said. "Go to the back and Carter's Export Council in 1979 said that this practice costs the country bil-

they'll take your photograph."

The photo-taker said: "Smile. O.K.
The permanent one should arrive by mail within 10 days. Have a nice day." It was 11:38 A.M. My ordeal had taken all of 58 minutes. I went across to the Municipal Building and took the subway back uptown. The train was spotless, part

of a new program to clean graffiti off each subway car three times a day. I got back to my office after lunch. The first call was from my union, the American Federation of Television and Radio Artists. A lady named Marta Vagner had found my wallet in Central Park, seen my union card and delivered everything to AFTRA headquarters.

Nothing was missing.

America may be falling apart. But you

LETTERS TO THE EDITOR

This Time, Only the Truth

Regarding the opinion column "It Won't Be Another Watergate" (May 7):

Raymond Price appeals: "This time, for a change, only the truth." The truth about President Richard Nixon is that he was guilty of gross misuse of the office of the president of the United States, and of the CIA, during his term

in office. Mr. Nixon accepted a pardon, and in so doing, admitted his guilt. The truth is that Richard Nixon and Henry Kissinger secretly bombed Cam-bodia. The truth is that the CIA helped in the coup that toppled the democratically elected government of Chile. The truth is that under Mr. Nixon, the CIA spied on U.S. citizens inside the country, something it is bound by its charter not to do.

All of this occurred during Mr. Nixon's watch, without even mentioning the Watergate affair and all its sleaze. These things are and were true, re-gardless or whether Senator Sam Ervin was or was not a racist or a demagogue. They are true whether or not Bob Woodward, Carl Bernstein or any other re-

porter sought to become a "superstar. Mr. Price writes: "If the current inquisition builds into a comparable vendetta (comparable to Watergate, that is), the likely immediate cost will be Central America." The cost to whom? To the United States? Does the United States really own Central America? The president of Costa Rica, for one, would disagree. So would I. U.S. military and ence activities are doing far more to undermine respect for the United States in that region than is the existence of the government of Nicaragua, Mr. Price, the Watergate hearings

were not really a vendetta. The Irangate hearings will not be one either. And I agree with you: This time, for a change, only the truth.

PAUL BIRCHARD.

Mr. Price's diatribe breaks new ground in demagoguery. He implies that if the Watergate coerup had succeeded, 25 million people in Asia would have remained free, and two million would not have died. Can you prove that, Mr. Price?

Does the writer want us to believe that the coverup never took place? That the House of Representatives based its articles of impeachment on the work of lying journalists? Nowhere does Mr. Price cite a single

example of media misconduct. Being a poor loser seems to be par for the course for former Nixon staffers. former Nixon staffers.

E, ERNEST GOLDSTEIN. Villars-sur-Ollon, Switzerland.

Share the Defense Burden

There is a tendency to blame America's government and its industry for a series of problems relating to the U.S. budget and trade deficits, as well as for the inability to cope with this situation and prevent worldwide economic instability. But it cannot be overlooked that the military expenditures of the United States represent about 25 percent of the national budget, as compared with 1 to 2 percent in Japan and about 10 percent in West Germany, countries America is and other successful exporters deserve a pledged to protect and which enjoy strong economies and large foreign trade surpluses. The defense burden should be more equally shared by the allies, thus reducing the U.S. budget deficit.

The allies should buy more weapons systems from the United States instead of developing their own. They should re-frain from subsidizing their aircraft in-dustries and buy militar, and commercial planes in the United States instead.

The industrial nations should also restrain their exports to the United States and promote imports from the United States of goods that are competitive and have a high level of technology and quality, so as to achieve a balanced trade ith the United States.

They should bear in mind that this would represent the least evil - because a continued foreign trade deficit may lead to major economic and political shocks. These governments must make it clear to their electorates that reasonable sacrifices at the right time may prevent future shocks and catastrophes that would be much more painful.

JOSEF NAFTALISON.

Beware Gephardt's Paddle

You have carried several stories in recent days about the efforts of the presidential hopeful Richard Gephardt, a

all in for very sore bottoms. ANDREW P. SUNBERG.

couldn't tell it by me today. Liniversal Press Syndicate

GENERAL NEWS

Referendum to Test Ireland's Faith in EC

By Robert O'Connor

DUBLIN - Ireland's long-debated role in Europe will be put to the test this month in a court-ordered referendum on the European Community's latest drive for unity.

Last month, the Irish Supreme Court ruled that the Single European Act was unconstitu-tional. The Irish Parliament had voted in December to approve the act, which updates the EC's founding treaty and creates a mechanism

for coordinating the foreign policies of the community's 12 member nations.

The Irish court ruled, 3-2, that the act illegally infringed on Ireland's right to shape its own foreign policy and that a constitutional amendment would be needed before the treaty could

The government has scheduled a referendum

A broad coalition is seeking to block approval of the amendment. Opponents range from defenders of Ireland's traditional neutrality to conservative Catholics who fear that the act will require Ireland to legalize abortion.

ireland is the only EC member that does not also belong to the North Atlantic Treaty Organization, the defense alliance that links a group of European countries with the United States The amendment is supported by Ireland's

toward the EC, which has pumped millions of pounds into the country since it joined in 1973. Entry into the EC was approved by 83 per-cent of the country's voters in a 1972 ballot. To campaign against the May 26 measure, several organizations have banded together in a Coalition for Peace and Neutrality. The alli-ance includes such groups as the Ireland-Cuba

Friendship Society, the Returned Development land, made it clear that renegotiation would not Workers Association and the Irish Campaign be possible.

tor Nuclear Dissit A spokeswoman for the coalition, Carol Fox, said that the Single European Act was part of a wider attempt to establish "an all-European

Opponents of the EC measure range from defenders of Ireland's traditional neutrality to conservatives who fear it could force the country to legalize abortion.

super-state. And any identification with that is going to inevitably draw us into NATO."

She said she feared that Western Europe was

moving toward creating its own unclear arse-nal. "People went into the EC," she said, "thinking it was going to be an economic com-munity, not thinking it was going to be a nuclear superpower."

Mrs. Fox criticized the act's proponents for epicting it as a simple vote on EC membership. If the act were renounced by Irish voters, three major political parties and is expected to win approval. The Irish public is well disposed she said, Ireland could simply renegotiate its

position within the EC.
"It is just impossible" she said, "for any country to be thrown out of the EC." But that view was rejected by Peter Doyle, a spokesman in the Dublin office of the European Commission, the EC's executive body. Before Denmark approved the European Single Act in a referendum last year, Mr. Doyle said, the other member states, including Ire-

ratified the act. Defeat of the measure, Mr. Doyle said, would mean that "Ireland's position in the community would very quickly become untenable."

"If we reject the Single European Act," be said, referring to Ireland, "we'll be in a two-tier Europe and we'll be in a second tier all on our own. And we'll be left behind." Mr. Doyle denied that the legislation would

jeopardize the country's neutrality. "In fact," he said, "the Irish neutral position is given

implicit recognition in the new treaty, which it never had before."

"The other member states," he added, "are not interested in Irish neutrality. It is not an issue for them."

The Supreme Court decision resulted from a suit brought by Raymond Crotty, an agricultural economist. Mr. Crotty believes that EC policies helped

drive up Irish unemployment and that the mea-sure will transfer too much power to central Ireland is proud of its nonaligned status. It remained neutral during World War II and it opposed the use of British force against Argen-tina during the 1982 Falklands war.

It also has taken a tougher line on apartheid than its European partners, imposing a ban on imports of South African produce. Jacques Delors of France, who is president of

the European Commission, sees the Single European Act as central to "Europe's credibility." He expects the measure to help bring about a "frontier-free market" and "greater economic and social cohesion," as well as a joint research and technology policy, a stronger European Monetary System and "meaningful measures

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For a Summer Job, Forget Prestige but Get Permit

By Sherry Buchanan

LONDON - It is not easy for career-minded American students to convince European companies to give them well-paid summer positions. But those who lower their sights will have little trouble finding less prestigious jobs.
The Council on International

Educational Exchange, based in New York, helps U.S. students to find temporary work in foreign countries and students from abroad find work in the United Of the 4,000 students in its program who secured jobs last year in France, West Germany and Brit-ain, only 15 percent found work

retarnal or ciencal work.

Fifteen percent worked in bars or pubs, 12 percent in sales, 8 percent in botels, 2 percent out of cent i cent in hotels, 2 percent out of discussion of discussion of the d tors and 2 percent as names.

Cause students who attend German Arms, a trendy London pub, and ship.

United States," said Andrea Mason, the director of Work in France, the Paris office of the Council on International Education Exchange. "It is harder to get a

LIVING ABROAD

American interns for the summer, provided they speak the language

"For companies it is not self-less," he added. "It's cheap labor."
In recent years, American students participating in the Work in Germany program have found in-ternships with Volkswagen AG, Siemens AG, IBM Germany, Unit-

and large German banks. Students participating in Work fices in Paris and Bonn report that in France have found internships at rope, American students must first French and German companies are Bank of Boston, Michelin SA, showing increased interest in hiring Rhone Poulenc SA, Morgan Gnaranty and international law firms.

ain, only 15 percent found work related to their studies, the exchange reported. Another 26 perchange reported. Another 26 perchange reported. Another 26 perchange reported to their studies of the country in the language of the country in the langu

the summer as part of their curricu- him. "They're just beautiful people. It doesn't bother me that they can

The managers of Boodles, the quintessential English gentlemen's club, have been hiring American friendly, nice and chany." To obtain a summer job in Eu-

Rica for eligible American stu-

joh because it creates administrative hassles for the employer."
Nonetheless, the exchange's of-

change reported. Palouset to policy are organizing internships for which they are seeking employcent were assigned to wantess or their students at companies in ment.

ed Parcel Service, Merrill Lynch

antees temporary work permits in According to the exchange's sta-Britain, France, West Germany, well and contact the companies as tistics, the more casual summer Ireland, New Zealand and Costa

mer jobs is not the same as in the polytechnics have to work during has four Americans working for

students for the last two years because they are "always helpful, apply for a temporary work permit. For an \$82 fee, the exchange guar-

To be eligible, a student must be at least 18 years old, a permanent U.S. resident and enrolled in the degree program of an accredited American college or university. To apply for work in Britain, West Germany or Costa Rica, the student must also hold U.S. citizen-

Reagan, Citing Study, Asserts **ABM Pact Does Not Limit SDI**

Compiled by Our Staff From Dispatches After rejecting Mr. Kemp's Mr. Reagan has vowed to veto Wednesday that a State Department study shows that the 1972 ment prohibiting deployment of anni-ballistic missile treaty does not any element of an anti-ballistic conservative who has offere supbar testing of sophisticated compo-nents of his space-based defense cally authorized by Congress.

interpretation of the U.S.-Soviet fiscal year, which begins Oct. 1. treaty is correct. Details of the

In releasing the study, the White House spokesman, Marlin Fitz-adopted a substitute Defense Dehad not yet decided to enter into a new phase of research on the Strategic Defense Initiative, as the billion space defense project is known.

The administration's broad interpretation of the treaty has been disputed by former officials who helped negotiate the pact and by Sam Nunn, the Georgia Democrat who heads the Senate Armed Services Committee.

Mr. Fitzwater said that Mr. Sofaer concluded that the negotiations that led to the treaty did not \$4.5 billion for the new fiscal year.

tion of the pact. pretation of the treaty say that in candidate for the Democratic ratifying the treaty, the Senate nomination, clearly believed that it barred test-

Weapons.
The Soviet Union also contends that the ABM treaty should be interpreted as imposing strict limits ABM treaty. on SDI research.

On Tuesday, the House of Representatives voted to cut another \$500 million from funding for SDI while Senate Republicans vowed to fight a bill that contains restrictions on testing.

The key vote in the House came on an amendment proposed to a two-year Defense Department authorization bill by Representative Charles E. Bennett, Democrat of Florida. His proposal would reduce funding for the space-based de-fense program in the next fiscal year from \$3.6 billion to \$3.1 bil-lion.

The amendment was approved 219-199, with 20 Republicans who opposed the Reagan administration providing the margin of ap-

In a direct test of sentiment on early deployment of the program, the House also decisively rejected an amendment by Representative Jack F. Kemp, Republican of New York, calling for "operational ca-pability" of a space-based defense system by 1993.

The vote was 301-122 as 58 Republicans opposed Mr. Kemp, who as announced his candidacy for the 1988 Republican presidential

Ugandan Rebels Kill 8 on Bus Agence France-Presse

KAMPALA, Uganda — Anti-government rebels opened fire at a passenger bus 15 miles (24 kilometers) from the eastern town of Soroti. Eight passengers were killed and 20 were wounded, the Roman Catholic daily, Munno, reported

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The House actions were its final teps in chipping away at the Reasor that elegal adviser, Abraham D. Sofaer, affirms the Reagan administration's request for steps in chipping away at the Reasor the House, which has already voted overwhelmingly to stick by \$5.7 billion in funding for the Strategic Defense Initiative in the 1988 could veto expanded testing.

The House also approved a measure of the House also approve

study have been widely reported. Committee had slashed the funding The House Armed Services level to \$3.8 billion. But the House partment authorization bill that out overall defense spending by \$17 billion and set SDI funding at \$3.6

The lower \$3.1 billion figure was urged by lawmakers who argued that, after a conference with the same cost. Senate, the final SDI figure was likely to be about \$3.7 billion. slightly more than the \$3.6 billion ovided for the program this year.

The Senate Armed Services Committee has set the spending at

In the Senate, the clash over testa narrow interpretation of the ing of the Strategic Defense Initia-agreement. tive pits Bob Dole of Kansas, the He also said it was not logical to Republican minority leader and a expect the Soviet Union to be leading contender for his party's bound by the U.S. Senate's ratificanomination, against Mr. Nunn, the Armed Services Committee chair-Opponents of the broad interman who is considered a potential

The restrictions, approved by the ing of exotic devices to protect
against an attack by ballistic mislast week as part of the defense bill.
would give Congress a veto over would give Congress a veto over any testing that is not envisioned under tight constraints of the traditional narrow interpretation of the

Senator Joseph R. Biden Jr. of Delaware, who is pursuing the Democratic Party's presidential nomination, is leading a related fight to win approval of a separate interpretation of the treaty.

WASHINGTON - President amendment, the House added to any legislation that tries to curb his Ronald Reagan told Congress on restrictions that already were in the arms policies. Most Democrats aplated disputes in Congress.

The House also approved a measure that could make it difficult for foreign governments and firms to win SDI contracts.

The House voted 229-187 to prohibit foreign companies or governments from receiving research and development funds for the project unless the Defense Department certifies that the work cannot be done in the United States at the

The move against funding re flected protectionist sentiment in Congress and could seriously affect foreign governments and companies hoping to win some of the billions of dollars appropriated by Congress for the project.

Both the Senate and the president would have to agree on the measure for it to become law.



Recipients Survive 3-Way Heart Transplant in U.S.

Dr. William Baumgartner explaining how he helped transplant the heart and hing of a car crash victim into Clinton House, a 28-year-old whose own lungs had been destroyed by cystic fibrosis. Mr. House's heart was transferred to John Couch, a 38-year-old whose own heart was failing. Dr. Baumgartner said both men were "doing well" at Johns Hopkins Hospital in Baltimore.

House-Senate Panel Starts Budget Talks

By Tom Kenworthy

WASHINGTON - A Houseamid predictions that the Democratic majority swiftly will recon-

Within the framework of a \$1 trillion budget, the similarities are much greater than the differences." year, which begins Oct. I, than said Representative William H. would the House version. It also Gray 3d, the Pennsylvania Demo-would raise about \$8 billion more crat who is chairman of the House in revenues.

began Tuesday. "I look forward to a quick and successful conference." Senate conference committee has The principal areas of disagree-begun negotiations on a budget res-olution for the 1988 fiscal year adopted by the House of Represen-The principal areas of disagreetatives and the one passed by the

Senate are in revenues and military cile the relatively minor differences spending. The spending budget between the two houses. spending by the Senate last week would give the Pentagon about \$7 billion more for the 1988 fiscal

billion in military spending only if President Ronald Reagan signs criticism from the aidelines and the separate legislation raising \$18.3 majority Democrats forged their billion in new taxes. The House own spending plans.

Senator Pete V. Domenici of demand of the Reagan administra-

Mr. Gray suggested that the difference in military spending would not be a major stumbling block.

The Senate's budget, however, be marked by partisan rancor. Re-would provide the additional \$7 publican members of both budget panels essentially participated with

> New Mexico, the ranking Republi-can on the Senate Budget Commit-tee, set his party's tone by distribut-ing copies of a New Yorker magazine cartoon that portrayed a group of legislators submitting their minority report by thumbin

South African Report Assails U.S. Companies , On Abetting Integration

By William Claiborne

Wathington Post Service
JOHANNESBURG — Many U.S. companies still operating in South Africa are engaging in "cor-porate civil disobedience" against apartheid according to report by a conservative South African group.

The South African Institute for American Studies, in a 20-page critique of a recent report on the 179 U.S. signatories to the Sullivan principles, said the code of nondiscriminatory business practices has progressively drawn U.S. compa-nies into the South African political arena" by requiring them to engage in activities against the apartheid system.

Baptist minister in Philadelphia who is a veteran of U.S. civil rights struggles. The institute means that the control of U.S. civil rights Rand Afrikaans University, is South Africa's most prominent pri-vate organization studying U.S.-South African relations.

Commesting on the 10th sonual report on the signatories to the Sul-livan principles, issued last month, the institute accused the code of encouraging black employees to move illegally into segregated white residential areas. It said those employees also had been urged to press for an integrated education system and equal access to health facilities, transportation, beaches, parks and "all other accommodations normally reserved for

corporations are now almost the captives of Reverend Sullivan," the institute said. "Many companies are acting in a manner which often

challenges the South African au-thorities and often delies existing legislation and regulations. The critique - which in parts read like an impassioned defense of apartheid — cited as evidence an

only residential areas, in violation of the 1950 Group Areas Act that

segregates housing by race.
The Sullivan report, which rates the social responsibility of U.S. companies in South Africa, has become important to the parent companies because many U.S. state and municipal authorities weigh the

for government contracts. The annual report was based on questionnaires submitted to the signatories and on biannual visit to South Africa by representatives of Arthur D. Little Inc., which compiled the report.

Sullivan ratings in evaluating bids

Calling the questionnaire "high-ly controversial," the institute cited

quoted as saying that in "continuing our thrust against apartheid, and specifically the Group Areas Act," it had purchased a large iurnished house in a white suburb for use as a multiracial residence for 10 students at Cape Town University.

Another company were quoted as saying it had found houses for nonwhite employees in all-white suburbs of Johannesburg through liaison with other progressive companies and by holding discussions with housing companies."

Bomb Kills Harare Woman The Zimbabwean wife of an exiled member of the African Nation-It has become obvious that U.S. al Congress, the South African guerrilla organization, was killed Monday night when a bomb de-

molished an apartment in Harare, The Washington Post reported. The dead woman, Tsitsi Chiliza, worked as a secretary in a Zimbabwean ministry. She was alone in the spartment. The Zimbabwean authorities did not mention that she was married to a South African, assertion in the Sullivan report that but sources close to the guerrilla 42 percent of the signatories reported having black and other nonwhom they did not identify, was a

President of Guatemala Faces Pressures in U.S.

By Stephen Kinzer New York Times Service

GUATEMALA CITY - Pres ident Marco Vinicio Cerezo is in Washington to seek increased American aid at a time when some Reagan administration offi-cials are dissatisfied with his policy of "active neutrality" in the Central American conflict.

As part of that policy, Mr. Cerezo opposes continued U.S. assistance to the Nicaraguan rebels, who are known as contras. But some Guatemalan politicians and commentators have suggested that while Mr. Corezo is in Washington, he will be pressed to adjust his Central America policy so that it conforms more closely

with that of the United States. During his four days there, Mr. Cerezo is expected to seek \$5 million to \$10 million in military aid. Aides said he would also seek increased economic help. The visit included a brief meeting with President Ronald Reagan on

The leader of the Democratic

to "give in to the pressures that he will soon receive from the American president.

Two weeks ago, leaders of the Sandinist government in Nicaragua expressed concern that Mr. Cerezo was succumbing to U.S. pressure when he decided not to invite the Nicaraguan foreign minister to a meeting of Central American foreign ministers here. And on Sunday, the human

conditions in Guatemala. The report criticized Mr. Cerezo's decistop not to seek trial and nunish ment for those who ordered or carried out abductions and killings in past years. not crase the accountability of

rights group Amnesty Interna-tional issued a long report on

the state for abuses perpetrated previous administrations." esty International asserted Tens of thousands of Guate-

malans died violently between 1954, when army officers took power in a coup backed by the United States, and January last Socialist Party, Mario Solorzano. year when Mr. Cerezo was inau-



President Marco Vinicio Cerezo of Guatemala speaking to the Organization of American States in Washington.

Nineth Garcia, was scheduled to years. be in Washington at the same time as Mr. Cerezo.

As Mr. Cerezo departed Tues-day, he said Mr. Garcia's trip will show that there is democra-

However, after 16 months in office, diplomats and Guatemalan officials said that Mr. Cerezo

gurated. Relatives of victims have has not managed to wrest signifibanded together to demand pun- cant power from the army, which ishment for those responsible, headed or dominated govern-and their leading spokeswoman, ments here for more than 30

> The army's continuing influence was underlined last week when three American CH-47 Chiduras flew to Guatemala to ferry a reported 300 Guatemalan troops into a remote area where Marxist guerrillas have been ac-

attorney-general, Gibson Chigaga, ports.

post from Prime Minister Kebby tary Fund. Musokotwane, the acting finance
The poli

attorney-general, Ottoon Cingage, was named finance minister Wednesday as President Kenneth Kaunda shulfled his government

following the announcement two

weeks ago of a new economic po-

dismissed the home affairs minis-

ter, Cosmas Chibanda, and had re-

placed him with the state security

Zambia and Michael Mwape as the day.

minister since Jamuary.

chief, Paul Malukutila.

bank's general manager the two had failed him.

Soviet Civilian Aid for Afghans

white employees living in whites-

Moscow's Vast Program Signals Long-Term Ties to Kabul

By Richard M. Weintraub

Soviet Union is establishing a vast ters of the Indian Ocean. network of trade, aid and cultural relations with Afghanistan that is daily in and out of Kabul's airport, more elaborate than its military which was built with U.S. aid. Conpresence and seems intended to en-voys of Soviet trucks travel couth dure even if some or all of the from railbeads at the Soviet-Af-Soviet troops are withdrawn from

mand recently estimated that the eign conquerors in the past. Soviet financial contribution was budget. Other experts estimated Soviet troops fighting Afghan guer- province and its neighboring Soviet istan to provide many daily needs. This figure, they said, does not include military assistance or sup-

port costs for the 9,000 Soviet civilian advisers in Afghanistan The Soviet Union also is seeking to inculcate future loyalties by de-veloping a core of Russian-speak-

It is a far cry from the days of the

"great game" in the late 19th and early 20th centuries, when British and Russian agents vied with the

Mr. Kaunda painted a grim pic-ture of Zambia's economic future

but said that donor countries had

shown strong support for his new policy of soonomic self-reliance,

announced May I. It is intended to

The police reported Wednesday

northern town of Kitwe, wrecking shops and assaulting a policeman.

Residents in Kitwe and in the

nesses remained closed Wednes-

The riots began when youths, en-

Shuffled in Policy Shift

Mr. Kaumda said that Mr. Chi- replace austerity measures advo-

that rioting youths demanding en-The president said that he had forcement of price controls had ismissed the home affairs minis-

Mr. Kaunda also said be had copper-mining region's administra-dismissed Kwaleyla Lamaswala as tive capital, Ndola, said all busi-

head of a new Export-Import Kanada's new economic policy.

gaga would take over the finance cated by the International Mone-

Today, giant Ilyushin-76s fly

ghan frontier, overcoming the natthe country.

Prime Minister Sultan Ali Kisht
Kush mountains that thwarted forural barrier formed by the Hindu Much of this traffic is to provide 40 percent of Afghanistan's civilian support for the estimated 120,000

fillas forces, who are than \$300 million a year in Afghan- overthrow the Soviet-backed government in Kabul, Undoubtedly, the Soviet presence also is intended to back an apparently elaborate political and

security infrastructure. An example was the Soviet bodyguards seen with the Afghan leader, Major General Najibullah, at a recent pa-But much of the Soviet activity is

devoted to more than military or political conflicts, as witnessed by three U.S. journalists recently allowed a rare two-week visit to see the changes made in Afghanistan since the People's Democratic Par-Zambia Economic Posts ty seized power in 1978.

Where thousands of West German and U.S. aid workers once worked in the 1960s and 1970s, a more extensive network of Soviet technicians now offers counsel in a parallel administration at most LUSAKA, Zambia - A former and promote nontraditional exgovernment ministries, according

to diplomats.

new power-generating system said that their Afghan counterparts carefully took notes at each planning session. But they offered no comments, apparently waiting to consult later with Soviet advisers.

At Kabul University, there are 50 professors from the Soviet Union and a dozen from East Ger-

Lenin sit alongside 1950s texts on U.S. local government. Russian language instruction, which was introduced after the

many. In the library, the works of

cent still study English. This percentage could change, however, as thousands of young Afghans being educated in the Soviet Union return home. A diplo-

couraged by the ruling United Namat reports that an estimated tional Independence Party, at- 15,000 young Afghans, aged 7 to mat reports that an estimated try." Francis Nikhoma, a former gentional Independence Party, attacked stores that were refusing to 20, are receiving from two to five PLC in Zambia, was appointed lower their prices in line with Mr. In northern Afghanistan, which from Soviet aid

rulers in Kabul for influence over borders the sensitive Soviet Mos-Weshington Past Service Afghanistan, a passageway to the lenn republics, diplomats have ob-KABUL, Afghanistan — The riches of India and the warm wa-served particularly intensive Soviet activity. This has lead to speculation that Moscow may be seeking long-term influence there, whether the region remains part of Afghani-stan or is absorbed into the Soviet

Of 20 separate series of economic agreements signed by Afghanistan and the Soviet Union this year, more than half involved projects in the northern provinces. Some were agreements between an Afghan

These projects range from footwear factories and wool-processing plants to power lines and the expansion and equipping of the state printing press. There are exchanges of medical personnel and journalists, direct provision of poultry and dairy products, and a Soviet project to develop the Yateemtaq gas

The Soviet Union already takes much of Alghanistan's natural gas, from fields linked directly into the Soviet pipeline network, according to diplomata. Afghan officials estimated Soviet imports of Afghan goods last year at \$382 million, which is almost three-quarters of

all exported Alghan goods. These economic ties are supplemented by visits by Soviet Uzbeks, Turkmans and other officials and ciergy from the central Asian Sovi-

et republics.
With at least a third of Afghanistan's population in exile, and much of the rest concentrated in According to a diplomat, Swiss much of the rest concentrated in experts in Afghanistan to install a rural areas or opposed to General Najibullah's government, Soviet a limited part of Afghan society.
While some Western observers in

Kabul talk of Soviet "colonization" of Afghanistan, others note that "you can't colonize a place you don't control, and the Soviets don't control Afghanistan." They also note occasionally candid expressions of frustration at

dealing with an inexperienced, unstable Afghan government.
"It's all Middle Ages," an East European was quoted as saying in a

1978 revolution, now attracts 30 European was quoted as saying in a percent of the students. But 60 per-unguarded moment. "We just sink money in." Some Afghans mirror those sen-

timents. They say the Soviet Union has done nothing but create "a filthy, bloody mess of our coun-Despite such outbursts of dismay, expressions of pride also are heard among those who benefit

U.S. Aid Bills Linked to Kenyan Human Rights

By Blaine Harden

WASHINGTON -- Responding to reports that political dissidents have been tortured in Kenya, the House and Senate have added language to their 1987 foreign sid bills the most stable in Africa.
that links future U.S. assistance to

As one of the closest U.

Leading subsidy book publisher seeks coons scripts of all types, fiction, non-fiction, posity premium, scholarly and religious works, etc. New authors welcomed Sard for free booklist ti-

rights record.

As one of the closest U.S. allies

on the continent, it is sub-Saharan
Africa's second largest recipient of
U.S. assistance, about \$53 million
this year. Under a delense agreement, the United States has milliment, the United States has milli-Indian Ocean ports.

eign Affairs Committee, "The die-mittee does not explicitly threaten tional police force.

pro-Western country that is one of of misucatment of prisoners could cratic values and freedoms." ultimately jeopardize relations" between the countries.

The House bill says that \$38 mil-

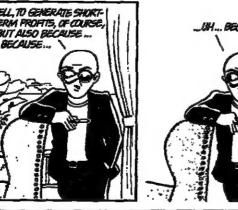
improvement in Kenya's human clime of freedom of political expres- a cut in military aid, but says that sion in Kenya, intolerance of the United States will "encourage It is the first time Congress has elements of society critical of gov- the government of Kenya through raised human rights concerns in erument policies, increased deten- all available means to reaffirm its legislation concerning Kenya, a tions for political views and reports commitment to our shared demo-

The foreign aid authorization is to be voted on this summer.

The Kenyan government angrily words" of foreign journalists. Reandian Ocean ports.

Language in the bill approved by cently, however, the government has announced a cleanup of its aa-

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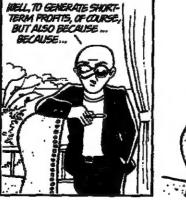
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LONDON BCORT AGENCY.

Cyclotron Illuminates Genius of Gutenberg By Malcolm W. Browne New York Three Service THE birth of modern printing to the surpling to the convergence of the pirth of modern printing to the formulation of this as well as the development of movable type of the cyclotron used to develop the interest of the printers of the late 15th center in glong-forgotism socratists are wrest-bankerg Bibles and other anispec documents to reconstruct the technology of the Renaissance. In cooperation with scholars at New York City's Fierpont Morgan Library and elsewhere, a group of researchers at the Davis campus of the University of California has learned that Johann Gutenberg of Mainz, Germany, was an even greater inventor and innovator han historians had known. At Davis physicists and historians had known. At Davis physicists and historians had known. The German invention of morable type around 1450 is one of the Interest of the Interest in the inventor and the paper, parchiment and fink. The German invention of morable type around 1450 is one of the Interest type around 1450 is one of the Interest of the Int

By Malcolm W. Browne Cahill said in an interview, "was all of them as superb. The left and

written descriptions of their monu-mental achievement. According to Paul Needham, curator of printed books and bindings at the Morgan (which owns three Gutenberg Bibles), no one knows what Gutenberg's printing press looked like. But Dr. Needham and the cyclotron team at Davis have learned a great deal about how Gutenberg and his associates worked and what materials they used.

Directing the cyclotron analyses of old documents is Thomas A. Cahill, bead of the Crocker Nuclear Laboratory at Davis. "One of the

cyclotron used to develop the tury and printers even today tend squeezing his type or spacing it.

movable type.

Dr. Cahill believes the high levels of copper and lead in Gutenberg's inks account for the fact that the printing in his books remains as fresh, glossy and black as it was when it came off his press. Bibliographers regard the Gutenberg Bible, printed between 1454 and 1456, as one of the most perfectly printed books, rarely matched in quality even in modern times.

Gutenberg's most famous work is his "42-line Bible," so called because nearly every column of type

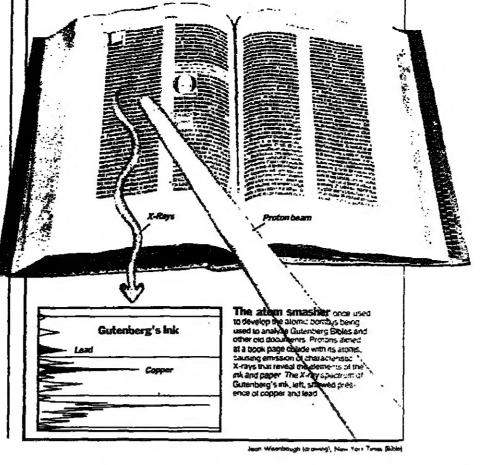
New York Times Service that Gutenberg's genius extended right margins of each of the two to the formulation of inks as well as columns on each page are perfectly four centuries ago is cloaked in the development of movable type. squared off, and Gutenberg avoidobscurrity, but with the help of the Other printers of the late 15th cen- ed hyphenation by inconspicuously

> Scholarly detective work has ascertained that 158 to 180 copies of the 42-line Bible were printed, of which 48 survive, each valued at

Dr. Cahill and Richard N. Schwab, a history professor at Davis, began applying the cyclotron to historical problems in the early 1980s as an outgrowth of the Crocker Laboratory's work on air pollution. The cyclotron accelerates a narrow beam of protons that pierces a sample, and protons col-lide with some of the atoms in the sample along the way. When this happens the atoms emit X-rays, whose varying energies match the specific types of atoms from which they were emitted. A detector measures these energies, and with this data a computer can determine the types and quantities of the elements present in the substance be-

Only the heavier elements can be nique, particle induced X-ray emission, cannot analyze the chemistry of a sample, Dr. Cabill said. But for examining rare documents the tures: the proton beam is too attennated to damage the sample, and the X-rays emitted by the sample provide a distinctive atomic signa-ture to aid in identifying the substance.

The use of the cyclotron as an depend on their copper and lead



problems he had encountered in from one batch of ink to another. Step by step. "There were times distinguishing fake from genuine measured this way, and the tech- copies of the 18th-century encyclopedia published in France by Denis Diderot. Cahill made some tests with the cyclotron beam and soon realized that the atomic compositechnique offers two valuable fea- tions it revealed could easily distinguish differences between seeming-ly identical inks and papers.

The analysis of Gutenberg documents required still subtler techniques, Dr. Cahill said. Although the signatures of Gutenberg inks most remarkable things we discoving in its 1,286 pages is 42 lines long, interpreter of history began when content, the quantities of these and seed in our five-year study," Dr. Experts regard the workmanship in Dr. Schwab told Dr. Cahill of other metals varied appreciably

Gutenberg's workers evidently when we could almost hear Guten-compounded their inks according berg's press creaking." he said. to a general recipe but may have been sloppy in their measuring Similarly, the cyclotron can detect differences among the atomic sig-natures of various batches of paper

marks) that Gutenberg used. A sin-gle Bible often contains pages from several different batches of paper that were printed at separate times. By calculating how various inks and papers were combined in each volume. Dr. Cahill and his associates were able to reconstruct Gu- tions fit together almost seamlessly,

(often bearing different water-

This led to the realization that Gutenberg's workshop was much more sophisticated than many scholars had supposed, he said. The shop evidently employed a team of typesetters, all working simulta-neously on separate batches of pages, carefully calculating space and text to make certain the assembled volume would come out exactly right.

These separately composed sectenberg's manufacturing process but there are a few exceptions.

IN BRIEF

The Snail Darter Strikes Again

BENTON, Tennessee (AP) - The three-inch snail darter, notorious for holding up a Tennessee Valley Authority dam project. has added six months to the construction of a Hiwassee River bridge, officials say. Controversy over the brown and black fish halted completion of TVA's Tellico Dam for six years beginning in 1973. The darter, once found only on the Little Tennessee River where Tellico Dam is located, was transplanted to the Hiwassee River nearby to allow for completion in 1979 of the multimillion dollar dam. Construction time for the Hiwassee River bridge in east Tennessee's Polk County was extended to 24 months so the river would not be disturbed by workmen and equipment during the darters' egg-laying cycle in late April.

More Evidence of Earth Collision

NEW YORK (NYT) - Geologists have found strong new evidence to support the theory that a huge asteroid or comet collided with the Earth 65 million years ago and could have been responsible for mass extinctions of life, including the demise of the dinosaurs.

In a report in the journal Science, the geologists said that microscopic particles of quartz found in 65-million-year-old sediments around the world contained structural cracks associated with a single cataclysmic impact. The fracture patterns in the quartz, they said, appeared to rule out an alternative theory involving widespread volcanic eruptions as a

The scientists said the "shocked quartz" crystals were found in eight widely separated places, from Europe to New Zealand, indicating a

Chocolate Linked to Heartburn

CHICAGO (UPI) - Chocolate-lovers may be distressed by a new study that found the object of their affection, the renowned confectionary cure for heartache, is also a primary cause of heartburn.

Researchers at a meeting of digestive disease specialists also warned that a sweetener found in many fruit juices and sugar-free candies may promote intestinal distress in children. In people already prone to acid ndigestion, even a few tablespoons of chocolate can induce the familiar irritation of the esophagus also known as heartburn, reported Dr. Donald Castell, chairman of gastrology at Bowman Gray School of Medicine, Winston-Salem. North Carolina.

People with chronic heartburn problems, which includes about 10 percent of the population, thus should probably avoid chocolate altogether. Dr. Castell reluctantly advised.

Koalas Suffer From Severe Stress

WASHINGTON (WP) - Koalas, the slow-moving Australian furballs that climb languidly about eucalyptus trees, are actually suffering severe stresses from overcrowding and depressed immune systems that leave them vulnerable to a variety of infections and high rates of pneumonia, leukemia and bone cancer.

In some areas, according to Steve Brown, a veterinarian at the University of Queensland in Brisbane, between 50 and 98 percent of the koalas are infected with parrot fever bacteria, which causes blindness, infertility

and infections of the bladder and lungs.
Infertility poses a special hazard to the survival of the marsupials because their population is dwindling.

Thans "Useful' Modes of Thinking Contribute to Prejudice

By Daniel Goleman New York Times Service

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TN seeking to understand the to-I nacity of prejudice, researchers are turning away from such extreme racism as that exhibited by members of the Ku Klux Klan to examine the pernicious stereotypes among people who do not consider themselves prejudiced.

A troubling aspect of the prob-lem, they find, is that many stereotypes seem to be helpful in organizing perceptions of the world. One finding is that people tend to seek and remember situations that reinforce stereotypes, while avoiding those that do not

Another troubling conclusion of the research is that simply putting people of different races together does not necessarily eliminate prej-udice. For example, Walter Ste-

Overt, admitted bigotry is on the decline, studies indicate. Yet they reveal that a more subtle form of prejudice, in which people disavow

Such people justify prejudiced actions or attitudes with what they believe are rational, non-racist explanations. To those who have felt the sting of racial discrimination, the phenomenon is well known. An employer, for instance, may reject a black job applicant, ostensibly not because of his race but because the employer says he believes the person's education and experience are not quite right. Yet a white applicant with the same qualifications is

Part of the difficulty in eradicating prejudice, even in those who intellectually see it as wrong, stems from its deep emotional roots.
The emotions of prejudice are formed early in childhood, while the beliefs that are used to justify it come later," said Thomas Pettigrew, a psychologist at the Univer-sity of California at Santa Cruz. "Later in life, you may want to change your prejudice, but it is far easier to change your intellectual beliefs than your deep feelings."

Psychoanalytic theories, too, point to the importance of childhood experience. "We distinguish between the familiar and the strange early in infancy," said Mortimer Ostow, a psychoanalyst and professor of pastoral psychiatry at the Jewish Theological Seminary in New York. Then in childhood, when we join groups, we learn to draw boundaries between us and them. By adolescence the group identity becomes even more important, and out-groups become the place to deposit our own faults."

ion reflected in the need to find an out-group to despise, with the per-son's most loathed personality characteristics pushed onto someone else — thus, the "filthy" Jews or blacks, or Italians or whites. New work is adding to the theories.

lysts have studied people in treat-

a later repudiation of that earlier

Often the attraction occurs in childhood or adolescence, according to Dr. Ostow. The child becomes fascinated by strangers, per-

Much of the recent work on prej-

order to make our way through the example, white people avoid black world," said Myron Rothbart, a people, there is little opportunity psychologist at the University of for receiving information that Oregon. "And that is where the might upset their stereotypes.

the prejudiced person was attracted types, both innocent and destructed types, both innocent and destructed types, by the psychologists Samuel "People who believe they are unblack applicants than white ones to the other group. The prejudice is tive, is a result of the pervasive role Gaertner of the University of Delaprejudiced will act with bias in for a hypothetical job, though the of categorization in mental life. And the stereotypes tend to be self University.

comes fascinated by strangers, perticularly by people in a group other
than that of his own family. At the
same time, though, the child may
experience this as a betrayal of his
family. The child then pulls back
from the fascination, often after a
rebuff or disappointment, or when
he feels guilt at betraying his family. When the attraction happens
later in life, the turning point is
often rejection by a lover.

lablished, "said Dr. Stephan, who
is one of those doing the new research. "Even if you present people
with evidence that disconfirms
their stereotypes — an emotionally
open and warm Englishman, say,
reserved English — they will find
ways to deny the evidence. They
ignored the strategies is one of those doing the new research. "Even if you present people
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bolizes a loyalty to home and its psychologist at the University of values," said Dr. Ostow. "But it is Pittsburgh, found that many of the black students thought the whites When white students offered help to black students, the blacks often spurged the offers, seeing them as a confirmation of the attitudes they

THE new explorations of the cognitive role of stereotypes find them to be a distortion of a process remember information that conracist artitudes but nevertheless act that helps people order their periodice in some situations, is not declining.

Such people instify prejudiced

The mind looks for ways to simplify the chaos around it. Lumping people into categories is remember better the whites who says acted that nevertheless act that helps people order their periodic distributions. The mind looks for ways to simplify the chaos around it. Lumping people into categories is remember better the whites who have noted that nevertheless act that helps people order their periodic in some situations, is continued in a processing that helps people order their periodic in some situations, is continued in a continue of the process of the processing that helps people order their periodic in some situations, is continued in a continue of the processing that helps people order their periodic in some situations, is continued in a continue of the processing that helps people order their periodic in some situations, is continued in a continue of the processing that helps people order their periodic in some situations, is continued in a continue of the processing that helps people order their periodic in some situations, is continued in a continue of the processing that helps people order their periodic in some situations, is continued in a continue of the processing that the processing th "We all need to categorize in were warm and friendly. And if, for

ware and John Dovidio of Colgate some situations, but give some oth-

Many national surveys have shown, for example, that the racial attitudes of whites have become markedly more tolerant over the last 40 years. But other research suggest that "although the old-fashioned, 'redneck' form of bigotry is less prevalent, prejudice con-tinues to exist in more subtle, more indirect forms," Dr. Gaertner and

er, rational reason to justify the prejudiced act," Dr. Gaertner said m an interview.

McConahay, a psychologist at negative stereotypes of Hispanic Duke University, this more subtle people fit traits often ascribed to form of prejudice is marked by am-migrant laborers, a role many Hisbivalence and exhibits itself most panic people held for decades.

often in ambiguous situations "America is full of realities from Dr. Dovidio assert in "Prejudice, McConahay found that whites who minds of some, seem to be at fault Discrimination and Racism," pabscored highest on a test of this when actually they are victims," lished recently by Academic Press. subtle racism tended to reject more said Dr. Pettigrew.

applicants' qualifications were identical

Some experts say social or hisan interview.

According to research by John prejudice. Thus in the Southwest,

where racism does not seem to be at 350 years of discrimination againstissue. In one experiment Dr. blacks that make blacks, in the McConahay found that whites who minds of some, seem to be at fault

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The classic psychoanalytic litera-ture on prejudice notes that a per-son's own sense of insecurity is of-

Dr. Ostow and other psychoanament who explored their own anti-Semitic prejudices. "The inner dynamics are surprising," said Dr. Ostow, "We find that there almost

often rejection by a lover.

The prejudice that forms symbuilt on a deep ambivalence."

phan, a psychologist at the University of Delaware, found in a review of 18 studies of the effects of school desegregation that interracial hostilities rose more often than they decreased at desegregated schools.

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"It is hard to change people's preconceptions once they are es-tablished," said Dr. Stephan, who

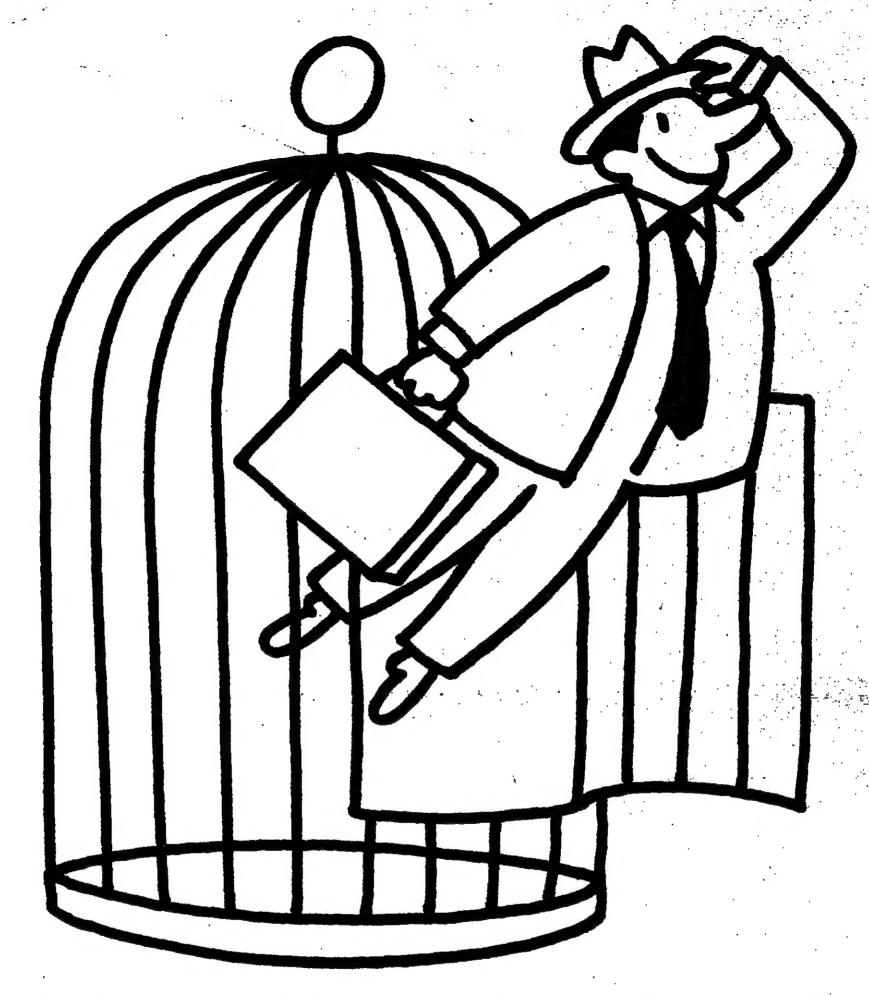
In a study of a recently des gated school, Janet Schofield a

And research by David Hamilhave acted that way than those who

problem begins: We see the category and not the person."

Even people who profess not to be prejudiced often exhibit subtle forms of bias, according to research

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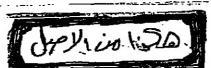
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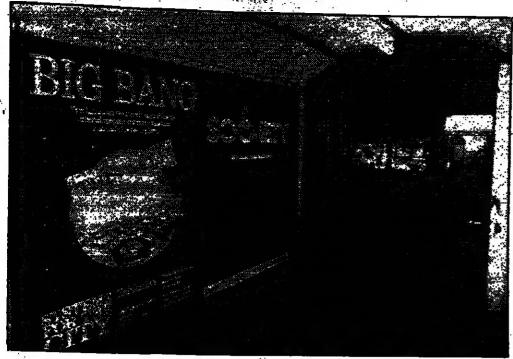


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While investors like cheaper commissions and the variety of instruments being offered, they complain that service to customers is the hig loser in deregulation.





Although the widely anticipated bloodbath

The large increase in equity turnover in recent months, helped by the post-Big Bang boom in portfolio restructurings and overseas demand for pound-denominated securities, has certainly made the transition easier. Trad-

JANET PORTER is the European bureau chief for the Journal of Commerce.

Big Bang Fallout

Front-Office Glitter **Dulled by Glitches**

By Janet Porter

ONDON - Institutional investors and corporate clients are far from satisfied with the standard of service they are receiving from many City of London financial institutions.

Six months after Big Bang, when Britain's securities markets were liberalized, back-office operations of some firms remain a shambles, the quality of research provided by others has fallen lamentably and market makers do not always offer the best price, according to critics.

This is not to say that all the comment is negative. Commissions charged to big inves-tors have fallen sharply, from an average 0.4 percent before Big Bang to around 0.2 percent being transacted on a net noncommission basis. Much larger block trades are possible and many fund managers took advantage of the cheaper dealing costs immediately after Big Bang to restructure their portfolios.

Likewise, corporate treasurers are being wooed with all sorts of new financial products and acquisition proposals from investment houses hungry for their business.

Nevertheless, reservations and misgivings about the new-style financial markets persist. During the hectic years before Big Bang, there was so much pressure on banks, stockbrokers, stockjobbers and other financial institutions to merge with the right partners, recruit new staff, install electronic trading systems and find suitable premises that little attention was given by many to what is arguably the most important area of all — the demands of the customer.

Since October, the pressure has switched to earnings and the need to start showing a swift return on their huge investments, forcing many firms that have never before had to cope with deregulated markets to cut back wherever possible in order to stay affoat. But this short-term approach looks certain to be disastrous in the onger term, as powerful customers become disenchanted and take their business else-

has not yet happened, largely because of booming stock markets, many securities and investment houses are struggling to survive in a marketplace described by participants as "bru-

New products and prospects abound, but the competition is 'brutal.'

ing skills probably will not be fully tested until the arrival of a bear market - something many players on both sides of the marketplace have

So far, there has only been one casualty Midland Montagu, the investment and securi-ties arm of Midland Bank, closed down the equity market-making operations of Greenwell Montagu Securities in March after suffering

trading losses of £6 million (about \$10 million). While no other firm has, as yet, taken such a drastic step as Midland. a shakeout is nevertheless occurring.

A number of houses are reducing the range of stocks in which they will make a market and some have already withdrawn from whole industry sectors. In the British government securities (gilts) market, only about a dozen of the 27 approved primary dealers are really active, with the rest having just a tiny share of the Some of the United Kingdom's biggest fund

managers say they have already stopped dealing with certain institutions where conflicts of interest were suspected. In-house analysts in several firms are known to pass on, buy or self recommendations to their market-making departments some days before sending out circulars to their institutional clients. "There are certain to be more casualties

unless clients are prepared to put up with a third-rate service," said David Malcolm. chief investment manager at Royal Insurance, one of Britain's top insurance companies with an investment portfolio of about £9 billion.

He says he is unhappy with a number of aspects of Big Bang, notably serious delays in the completion of back-office paperwork and falling standards of research.

These views are shared by Mick Newmarch, chief executive of Prudential Portfolio Managers Ltd., a subsidiary of Britain's largest insti-tutional investor, Prudential Corporation.

Continued on page 10

Gilts Soaring, Buoyed by Confidence in Conservatives' Prospects

By Kevin Muchring

ONDON — It is hardly surprising that a talk on the British government debt market during a recent conference here focused almost entirely on the re-election prospects of Prime Minister Margaret Thatcher's Conservative Party in the elections set for June 11.

In the first two months after last October's Big Bang, when dual-capacity trading and the elimination of fixed commissions swept away the old system and ushered in a restructured government debt, or gilt-edged market, slack retail demand and uncertainties over sterling translated into lackluster demand and trading volumes. Most of the primary players turned in losses and a few had already accumulated

KEVIN MUEHRING is a contributing editor Institutional Investor magazine

But since the turn of the year, volume has soured, nearly trebling to an average turnover of £3.5 billion (\$5.77 billion) a day, according to Bank of England statistics. The upswing in trading volumes enabled most of the firms to eke out a modest rise in profitability. And it was almost entirely premised on growing investor confidence that the Conservatives will

be returned to power. Despite widely anticipated bloodbaths in the newly revamped gilt-edged market, none of the 27 designated primary market makers in the market has dropped out—yet. The pundits are still betting the store that a shakeout among the 27 will turn 1987 into a make-or-

break year for many firms. In the U.S. Treasury market, for instance, there are only a handful more dealers - about 35 institutions in the primary end of the market
— but they are dealing in a market with five
times the size and 20 to 30 times the trading volume. There is more than \$1 trillion out-

Volume is crucial to profitability, and winning market share has been the dominant strategic attack.

standing in the U.S. Treasury market, while gilts amount to less than \$200 million; \$100 billion to \$150 billion worth of Treasuries can change hands in a single day in New York. compared to the equivalent \$5.5 billion or so of

A survey conducted among British institu-tional investors in January by the agency-broker Capel-Cure Meyers showed that nearly half believed that fewer than 15 of the 27

primary market makers would survive the first three years of competition.

It is enough to make a logical mind question why anyone would so willingly enter such a doom-laden scenario. But many firms feel they have no choice.

In the race to be a major first-tier player in what is seen as a developing global capital market, the need to service a previously shelmarket, the need to service a previously shel-tered domestic client base, much less to win a

slice of the international institutional client with a combined capitalization of £600 billion. base, means that the financial firms must extend their capabilities to each of the main financial markets.

Gilts are at the heart of the London market and London is one of the three key financial hubs in the global marketplace.

The major international financial intermediaries are also increasingly arbitraging the inter-est rate differentials among the big three freely traded government debt markets through the use of the more sophisticated financial engineering of the last few years. Synthetic instruments can be created that offer higher yields.

Previously, the gilts market was structured around the Bank of England's direct dealing with a half dozen jobbing or trading firms, dominated in fact by just two jobbers, with a combined capital of £100 million, who sold the vernment gilts onto the stockbrokers who had access to the largely British-based institu-

tional client base.

14 of which are either American or Swiss and Canadian owned. Six interdealer brokers, taking 1/128th percentage point on each turn, are adding liquidity to the market by increasing the volume of intraprofessional trading. In exchange for direct access to the Bank of England and the issuance of British debt securities, the 27 primary players are committed to continuous two-way market-making in fair or

This month, further changes were made in the structure of the market. The Bank of England launched a limited auction system to supplement its present "tap" system of issuing government debt in which £1 billion of short-dated gilts were auctioned. Larger auctions of medium- and long-term bonds will be offered

later in the year.
The Bank of England stresses that the auction will be limited, not neccesarily to replace the Lap system but to supplement it, in the

Continued on page 12

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Pressure Grows on Bankers, Brokers to Clean Up Their Back Offices

By Fianumetta Rocco

ONDON - The success of the new City conglomerates that have spent millions building vast new dealing rooms to take on the challenge of global equity tracing is being threatened not only by the competitive challenge of New York and Tokyo, but by a danger that is much closer to home. This is the growing pressure on the back office to ensure that each order for each security is digested, invoiced, cleared, paid for and delivered.

At its best, an efficient back office settlement system should perform all these tasks on time and with perfect reliability. The reality six months after Big Bang is (ar from this ideal. And banks and brokers are worried that, un-less they get their back offices straightened out soon, the heavy investments they have made in the new front office electronic dealing rooms will be lost

The pressure now facing back offices is being applied from several fronts. Historically, the settlements end of a broking partnership was always treated as the poor relation of the fee-earning side. As a result, investment in new systems was insufficient and staff in those departments always poorly paid.

But the increased competition engendered by the start-up of net trading and the abolition of fixed commissions has forced firms to streamline their administration systems. Some of the software for this technology was imported from the United States, but there was little time to adapt it properly to the British market or to firms' specific needs.

Moreover, these changes came at a time when trading volumes were at an all-time high and increasing every week, prompted in part by the Conservative government's privatization program and its championing of share

Three times as many people owned shares in 1986 than when Prime Minister Margaret Thatcher came to power in 1979, and the stock exchange now processes about 40,000 trades a day, compared with just over half that a year

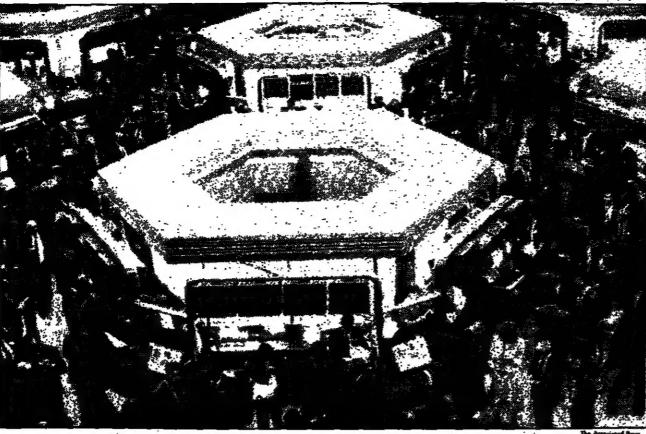
Furthermore, each major privatization in40,000 trades a creases trading volumes by 25 percent over the

The infrastructure for trading, when it works, is relatively simple, if detailed Securities dealers date-stamp trades as they are done.

Buy and sell orders of Parish they are done. Buy and sell orders of British shares are then entered onto the dealing firm's computer tapes that are deposited every evening into the stock exchange's Talisman computer system, where they are matched against the counterparty's

Before being transferred to their new owners, these shares are gathered together within SEPON, the stock exchange's nominee acmunt, which acts as a pool from which stock is delivered to the registrar. Invoicing and payment collection in most cases is done by the

Dealing firms had four types of computerized settlements procedures to choose from when preparing for Big Bang. They could rewrite their own software from scratch, buy packaged software from a specialist firm, use



Since Big Bang, trading on the London Stock Exchange has been computerized.

The stock exchange now processes about with just over half that a year ago.

Working behind the scenes in electronic security trading. the services of a settlements bureau for billing

and paying clients and for clearing securitie or go to one of the two all-in clearing firms that The closure of National Westminster Bank's perform all these functions. All of these options have suffered from Center-file settlements bureau last September forced 19 brokers and jobbers to make new strain since the day of Big Bang, Oct. 27. Most firms opted for a combination of buying softarrangements and vastly increased the pressure ware and having it tailor-made for their interon the bigger of the two remaining firms. NMW Computers, which now clears 40 pernal administration as well as using a settlements bureau for matching bargains and entering them into the Talisman system. cent to 50 percent of stock exchange trades

NMW chose to change over to a new hard-ware system around the time of Big Bang, but, according to several players in the market, their system becomes overloaded several times a week and their input into the Talisman computer is up to three hours late two days out of



Traders and dealers look at empty screens during a computer breakdown.

firms themselves. Most of those that opted for developing a more extensive in-house network turned to a small but growing software house.
Consultants (Computer & Financial) (CCP).
However, many put in their software orders very late and have since been dissatisfied with

the service they have received.

One major British clearing bank, which bought a stockbroker as part of its investment. for the post-Big Bang era, says it has counted 123 design faults since October in the system CCF installed. As a result, this bank has had to double its staff in the settlements department and it is still operating a round-the-clock schedule seven days a week to clear the back-

Among the problems this bank and other dealers are facing are unreconciled deals where there may be a buyer but no seller, trades that do not match either in price or size, lost transactions, buy orders that are misquoted as sales or vice versa, and mismatched accounting. "it's a real mess," said a settlements director for one of the major brokers.

in recent weeks, some dealers have been so keen to keep the worst of the situation from their clients that they will pay clients selling shares out of the firm's own account instead of waiting to receive the remittance owed to them from on-selling those shares.

Known in the trade as a "feil" or a "break," this out-of-pocket payment would normally be expected on fewer than 5 percent of trades. "We're seeing fail rates of more than 15 percent," said the director of one of the major clearing banks.

None of the firms reported to be in trouble would confirm their difficulties. Nonetheless, Kleinwort Grieveson, one of the biggest play-ers in the market with a much publicized personal share dealing service, was forced first to raise its charges from £12 (\$20) to £18 per action and then close the service altogeth-

Those that insist that the pessimists are doing no more than spreading doom and gloom about the gravity of the settlements problem in the City need only look back to the difficulties that New York dealing houses faced after deregulation there in May 1975 and the paperwork panic during the go-go years in the late 1960s.

Then, galloping volumes and weak systems forced the stock exchange to close one day a week for several months in order to clear the settlements backlog, and two major firms, unable to get over the problem, closed for good.

FIAMMETTA ROCCO is a financial journal ist based in London. Her article, "The Peril in the Back Office," which appeared in the June 1986 issue of the Institutional Investor, was part of a series on the City that won the Overseas Press Chib's Morton Frank award last month.

This announcement appears as a matter of record only.

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Yamaichi International (Europe) Limited

Mitsui Trust International Limited

Glitches Dull Front-Office Glitter

Continued from page 9

\$30 billion

He told a recent conference that he was "greatly concerned" by the back-office prob-lerus being experienced by many broker-dealers. He remarked on the "discernible deterioration in the general quality of research since October 27." He also strongly criticized brokers' research efforts for paying scant regard to the real needs of clients, with too much emphasis placed on the alpha stocks and too little effort put behind the internationalization of

Fund managers are retaliating by transact-ing a far greater share of business on an agency

ing a far greater share of business on an agency basis, happy to pay commissions to those brokers offering the best service.

In the weeks immediately after Big Bang institutional investors were mostly dealing on a net basis directly with market makers. Royal Insurance estimates that this accounted for about 60 percent of its equity trading late last

However, as it became apparent that this was not always the most effective or efficient way of trading, Royal's fund managers started to do more business through brokers again. Now about 75 percent of equity trading is conducted on an agency basis, according to

Corporate treasurers are equally critical of the advice they receive from some investment banks. One of Britain's biggest industrial con-cerns spoke of being "bombarded" with fund-raising proposals by bankers who have "no real understanding of our needs."

Others complain of the short-term horizons of those working in the City and the widely divergent objectives between financial institutions that can profit most from volatile markets and industry that needs market stability.

Many of the complaints are fully justified, senior bankers concede. And there are already clear signs that the emerging beavyweights are those investment and securities houses paying

"We take our research capability very seriously - we would never try to pull a fast one on our clients," says Mercury International, the group that encompasses the merchant bank S.G. Warburg and Warburg Securities, formed from the merger of three top Stock Exchange firms — Akroyd & Smithers, Rowe & Pitman

the closest attention to what their custom

The group is now dominating certain market sectors and gaining clients such as the Euro-tunnel consortium and British Petroleum because of its ability to provide a fully integrated financial capability. "More and more clients are beginning to like

and Mullens & Co.

the idea of one-stop shopping," according to a Mercury spokesman, while the firm has found it very useful to have the full range of financial skills under one roof. But those firms that decided against the inancial supermarket route are not necessarily losing out. Stockbrokers James Capel resisted the idea of building up an equity market-making operation, although the company is an approved primary dealer in gilts, and is now benefiting from the swing back to broker busi-

equity trading volumes compared with the lev-el of business prior to Big Bang. Peter Quinnen, Capel's chairman, says the firm is often able to negotiate a better price than the institutional investors can obtain. As fund managers start to recognize this, they are



more willing to pay commissions for added

While noting that the decision to stop making a market in equities was "a major disapintment," Keith Brown, managing director of Greenwell Montagu Securities, is confident that the quality of service offered to clients will

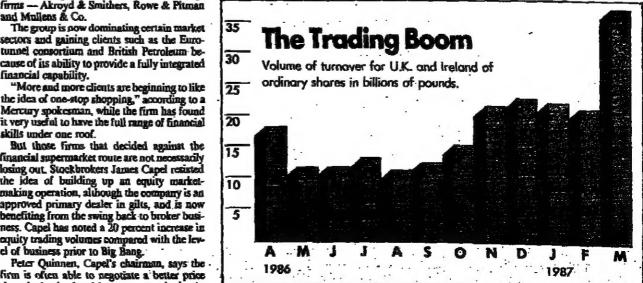
Struggling to cope with massive losses in-curred by its California subsidiary, Crocker National Corporation, Midland was mable to devote sufficient imancial or management resources to its Big Bang preparations and very quickly decided to close down the unprofitable side rather than risk another financial embarment. Greenwell Montagn is now concentrating on providing top quality personalized service to corporate customers and believes uat without the market-making operation, chients will be more confident that investment advice is totally unbiased and that every effort will be made to negotiate the best possible

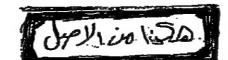
As other houses, in a less dramatic fashion, follow in Midland's footsteps and run down loss-unking operations and focus on those areas where they are strongest, the polarization will become increasingly pronounced.

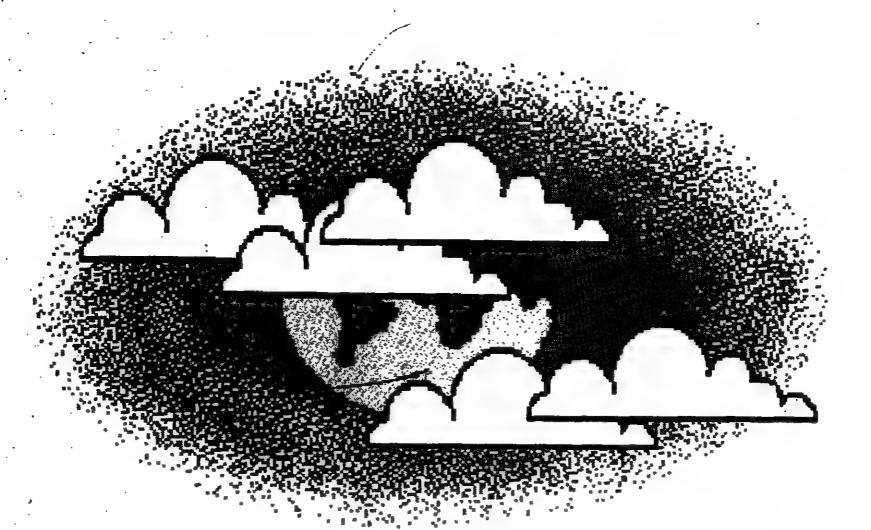
Most participants expect London's securities market to gradually evolve along similar lines to New York's and Tokyo's. About half a dozen major players are emerging in particular sectors — not so very different from the way stock exchange business was transacted before Big Bang, when single capacity requirements separated stockbroking and stockjobbing functions and prevented one firm from undertaking both types of business.

Opinion is divided on whether this process will be quick or gradual, but there is little doubt that a thinning-out process is inevitable. Geoffrey Redman-Brown, senior director at Phillips & Drew, a subsidiary of Union Bank of Switzerland, reckons that the survivors are most likely to be those concerns that have successfully invested resources in all four vital areas - people, technology, office space and

But a final note of caution is sounded by Gordon Pepper, senior adviser to Midland Montagu. He believes that for the last few months London has been in a phony-war period. Neither the U.S. nor the Japanese securities houses have started to compete properly yet, he says, but it is probably only a matter of time before they adopt a higher profile. That is when the war will really start, he adds.







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Eurobond Dealers Reject Screen Trading

ONDON -On Tuesday, the Association of International Bond Dealers (AIBD) announced that it had withdrawn plans to introduce a screen trading system for the Enro-bond market for the time being. Opposi-tion from the market's leading players who feared that if they freely displayed their prices their smaller competitors would feed off their business — had proved overwhelming and the issue had threatened AlBD's annual general meeting in Oslo

But the central problem will not go away. The AIBD wants the status of a recognized exchange under the framework of Britain's new Financial Services Act, and the Securities and Investments Board, the regulatory overseer of the network of self-regulatory organizations in the Lon-don financial markets that will be fully operative with its powers later this year has made it clear that price transparity will be its main criteria in assessing how institutional markets are serving investors.

The AIBD has already act up a system of reporting dealers, by which to qualify as a recognized market-maker in Eurobond issues a house has to meet certain criteria in sues a house has to meet certain criteria in its trading, such as dealing in a specified proportion of oustanding issues and posting daily prices for them. But the scrapping of the screen trading plan — which for a year has been the subject of a joint feasibility study with the U.S. National Association of Securities Dealers — could occur a tion of Securities Dealers - could prove a severe setback in the longer term to the association's ambition to regulate itself.

There is an irony in these developments, which are primarily geared to improvi the transparency of market prices, the SIB's primary concern in protecting inves-tors in this predominantly institutional market. If Hig Bang can be described as the process by which the London stock es-change posched business from other markets around the world through deregulation, then it was foreshadowed for many years by the growth of the unregulated and truly international Eurobond market, which chose London as its home because of



Stock exchange officials Sir Nicholas Goodison, right, and Jeffrey Knight, with a computer terminal on Big Bang Day in October.

freedom it offered banks to do business in

To stay in London, the Euroband market has to be seen to be toeing the regulatory line. But there are many of its members, notably the Belgisn and Luxembourg banks, which fail to see why they should, especially when their own home markets would be the first to benefit from any

The very idea of complete price trans-parency that screen trading would have implied would be anothern to the Eurobond market, where hage trading volumes are based on price discrepancies and the arbitrage of different credit assessments.

These are issues concerning the way business is done in the Eurobond market that may tax the AIBD. However, there are perhaps more fundamentally important changes occurring in the business itself. First and foremost, the 40 percent decline in the value of the U.S. dollar since the Group of Five agreement and the specter of rising American interest rates has drastically reduced the proportion of dollar fixed-income and floating rate note (FRN)

issues launched in the market. During the first quarter of this year only one-third of international bond issuance was denominated in dollars.

The FRN market has all but collapsed, its sudden demise foreshadowed late last year by a crisis of confidence in perpetual or undated floating rate notes when Japanese investors (the major holders of perpet-ual notes along with underwriting houses still carrying them on their books) started selling. Some issues, which like all FRNs are supposedly designed to trade at par value, declined in value by as much as 30

ers have now deserted the FRN market as a whole, to the extent that some bankers speculate about a revival of the syndicated onn market, which the FRN replaced in the tidal wave of accuritization of recent years. In the first three months of 1987, only \$1.9 billion of new FRN issues have been launched, a mere 4 percent of all new international bond issuance. Last year, Britain alone raised \$6.5 billion in the FRN

has been on the rapid ascendant, boosted by the yea's appreciation and the Japanese Ministry of Finance's continuing program of deregulation for the market. A total of \$8.95 billion equivalent of yen-denominated international bond issues were launched during the first quarter of this year, firmly establishing the yen as the No. 2 Euromar-ket currency behind the dollar, in which a total of \$20.16 billion of issues were

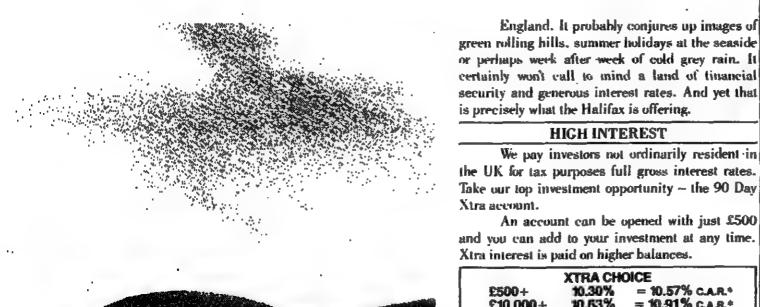
The prime beneficiaries among the Eu-. robond houses have been the Japanese securities houses. Nomara now sits atop the Eurobond lead management tables, dis-placing Credit Suisse-First Boston, the preeminent Eurobond house of recent years. The other three major international Japanese securities houses - Daiwa, Yamaichi and Nikko - are all in the top 13. They are now pushing the idea that Euroyen issues should be registered for sale direct into the Tokyo market, avoiding the six-month lock-up period that prevails. Such a development would only serve to reinforce the underwriting strengths of the Japanese

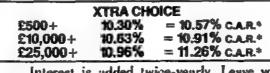
It seems unlikely that all of the Eurobond market's established houses will be able to cope with these changes. Over the past few months a chutch of Eurobond uses have decided to give up marketmaking status in Eurobond instruments in favor of acting only on an agency basis.

Others have announced that they were pulling out of market-making in certain ectors, as with Orion Royal Bank's departure from the FRN market earlier this year. Still others are repositioning themselves to take better advantage of more lucrative developing markets such as that for internationally traded equity stocks.

But the Eurobond market is nothing if not innovative. When Japanese investors ditch the dollar, they look for other highyielding debt instruments to replace it. That has left scope so far this year for prolonged spurts of activity in the Euro-Canadian dollar, Eurosterling and the Euro-Australian dollar sectors, where coupons offer substantial yield pickups for investors over dollar bonds.

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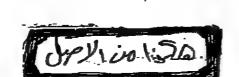
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Brokers in the City enjoying a champagne hunch after a hectic trading session.

Volume Soars on Gilts Market

Continued from page 9

hopes of gaining from the best aspects of each. Many feel, however, that it is inevitable that the auction will eventually wholly applicat the tap

The great thing about the tap system is that the ritish government decides when and at what price an issue of debt is sold into the market. A fixed price is set and tender offers are accepted. Issues are not always wholly allocated at launch, and the unsold portion goes back "on the shelf" and is then trickled out into the secondary market in blocks of varying size on a "tap basis" when the Bank of England feels market conditions are ripe.

The drawback is that one market maker with muscle could corner the whole tap, or if the tap is too small, it would be difficult to divvy it out to all 27 market makers. Furthermore, the government cannot always be sure of a regular source of cash.

An auction does not allow the luxury of control-

ling the price and timing, but at least assures the Treasury the cash will be there. Auctions will also provide the full flavor and benefit to the government of greater competition among the financial interme distribution of its debt. The new structure of the market has already

produced some benefits to the investor com institutional investors say the market is now more liquid, deals are said to be more efficiently executed and dealing spreads have narrowed. And best of all from the investor point of view, com quickly slashed to nearly nothin

But at least until the competition is driven out of the market leaving the strong to survive, what is good for the borrower and investor is not so good for the intermediary. Under the old system, the profits of the brokers came from the fixed commission they charged to their clients to buy the stocks from the jobbers. The jobbers in turn made their money from the modest markup on each turn as they passed the stock on so the brokers and in posi-

inventories long or short a step ahead of the market.

In the new market, commissions are either nil or
minuscule, with about 90 percent of the trading on a net basis. Profits for the 27 market makers will now almost entirely come from positioning inventories ahead of interest rate movements or by constructing sophisticated swaps and arbitrage opportunities for

Volume, then, is crucial to profitability and winning market share has been the dominant strategic attack on the gilts market. U.S. firms benefit from extensive experience in the massive U.S. market, where an auction system may give them the edge if the Bank of England turns more to this system. The American firms are also better versed in arbitrage and risk management than their British competitors.

But the Americans seriously lack a distribution and placement base for the securities. Old client loyalties have not died, and the mainline British conglomerates, especially Barclays de Zoete Wedd two jobbing firms that had dominated gilts trading prior to Big Bang, still seem to be holding their own.

The makeup of the primary market makers may eventually come down to a dozen or more players.



A jobber taking a break off the floor.

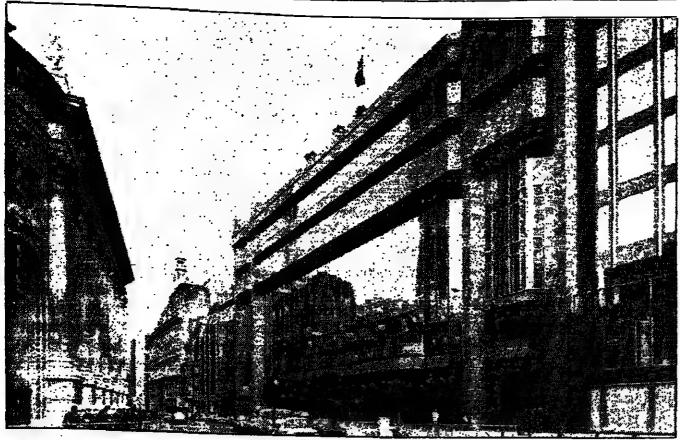
with no more than six to eight firms playing a really dominant role and the remainder taking up niche positions on the fringes of the market, such as in short-dates gilts or index gilts or in servicing a particular segment of the investor pool.

There is a glimmer of light on the otherwise gray and gloomy horizon. The U.S. Treasury market figures suggest that there is ample room for the giltedged market makers if they and the big institutional investors simply turn their inventories over at a faster rate. At least half the turnover in the United States is purely among the professional houses and the specialist brokers.

In London, six interdealer brokers, who provide the liquidity in the trading between the primary market makers, will play the same function.

The sophisticated use of options and futures to hedge large positions and -or at least so the theory 5 - lower the risk, means the market makers can hold even larger positions and trade even faster.

But ultimately, survival will much depend on the continued internationalization of the gilts market. Sterling volatility, largely due to political uncertain-ties, has traditionally caused international investors to shy away from the gilts market. But if the Conservatives are returned to office, pent-up international demand, especially among the Japanese anxious to diversify out of the dollar, could well mean that the volumes will indeed soar, broaden the investor base and create room for more of the market makers to



Standard Chartered was the only one of Britain's five major clearing banks to report lower pretax profit in 1986.

Standard Awaits Lloyds Action

By Warren Getier

ONDON — The fate of Standard Chartered PLC, Britain's fifth largest clearing bank, continues to be the focus of speculation in the City. Having rebuffed a hostile bid from Lloyds Bank PLC last July, Standard may once again come under attack from Lloyds in three month's time following the expiration of a mandatory one-year cooling-off period imposed under British law, City analysts said.

To bid or not to bid, that is the dilemma for Lloyds. The consensus among analysts in the City is that Lloyds is not going to lunge for Standard immediately after the July 12 cooling-off deadline. Then again, Lloyds might ultimately decide not to bid at all.

There are several reasons for Lloyds taking a cautious line.

First, the Bank of England has been conducting an investigation of lending practices at Standard—at the request of Standard's board. The Bank of England, which began its investigation in February, is exploring press allegations that suggest Standard was involved in imprudent lending to the National Bank of Brunei beginning last April, about a week after Lloyds launched its takeover bid.

Standard Chartered has denied all such allegations and insists on having its name cleared by the Bank of England investigation.

The allegations suggest that the losss may have become against Lloyds played by Malaysian financier Tan Sri Khoo Teck Puns, whose family owns more than 70 percent of the National Bank of Bomei.

Last November, the Bruner bank was shut down by Brunei anthorities. Officials in both Brunei and Singapore early last year had warned creditor banks, including Standard Chartered, that the Bank of Brunei was under suspicion for questionable accounting prac-

If Standard's credit line to the Bank of Brunei were shown to be directly linked to Mr. Tan Sri Khoo's role in Standard's successful say, that could amount to a criminal breach of

Britain's Companies Act. Bank of England officials have said that they do not expect to conclude their inventigation until year's end. Sources close to the bank have said privately, however, that they do not expect to discover any illegality, such as a breach of

not discount the possibility that Standard will be censured for "imprudent" lending to the Bank of Brunei.

If Standard is censured, market sources say, there will be strong pressure on Michael McWilliam, Standard Chartered's managing director, to resign. Mr. McWilliam declined to

"Lloyds won't go back for Standard Char-tered until the Bank of England concludes its inquiry," said Alan Broughton, a banking analyst with Greenwell Montagu Securities in

Mr. Broughton, echoing other analysts, also notes that "the quality of Standard's business" has declined since the Lloyds bid last year,

If no renewed bid from Lloyds materializes, Standard's share price is apt to drop precipitously.

suggesting that Lloyds may in the end not be interested in bidding at all at current Standard

Standard was the only one of Britain's five major clearing banks to report lower pretax profit in 1986. Standard's profit before tax dropped 5.2 percent to £253.9 million (\$431.7) million) from £267.9 million in 1985.

Whether Lloyds does launch a second bid will depend largely on the price being asked by members of a triumvirate of friendly share-

The triumvirate, which came to the defense of Standard last July against predator Lloyds, includes Tan Sri Khoo, who increased his holding in Standard on May 1 to 7.24 percent from 6.2 percent; Sir Y.K. Pao, the Hong Kong entrepreneur believed to control just under 15 percent, and Australian magnate Robert

Scandals Fail to Stem Takeovers

Holmes à Court, with a stake matching that of Sir Y.K. of almost 15 percent. Current market wisdom here is that Lloyds

will have to offer somewhere near £9 a share to obtain the substantial stakes of any one of these three minority shareholders and thereby

open the gates to a full takeover.

But with Standard's current share price hovering around 835 pence, just 15 pence below the 850 pence per share cash offer by Lloyds last year, there is considerable doubt whether Lloyds will feel such a price is justified.

There is also some doubt that Sir Y.K., a Standard board member who has been a supporter of Standard's extensive presence in Asia for years, is anxious to see Lloyds obtain control of Standard at any price. Moreover, speculation has grown that Mr.

Holmes à Court has ambitions of his own for Standard, where he also sits as a board director. Australian brokers have been suggesting that the Australian business maverick is out to merge Standard Chartered with Hill Samuel, the British merchant bank, in which he has also acquired a substantial minority stake. How he would arrange the seemingly awkward marriage is anybody's guess.
In the end, if no renewed bid from Lloyds

materializes, Standard's share price is apt to drop precipitously and leave the triumvirate with considerable losses on their Standard in-

Mr. Broughton, the Greenwell Montagu analyst, said that the group paid an average 830 pence per share for their stakes in Standard last summer. "The only thing keeping the current price of Standard's shares at such high levels of 830 pence is the continuing speculation that Lloyds will come in and bid at a price higher than what it offered in July 1986," he said.

"But if that doesn't happen, we could see Standard's share price plunge to £7, leaving

some heavy paper losses."
In the meantime, Standard officials have let it be known that their chief priority is improving profitability, particularly in Asia, and that they will not allow themselves to be preoccupied with market talk of another takeover bid by Lloyds.

But as one analyst, who asked to remain won't have the option of remaining independent if it cannot generate a higher level of

WARREN GETLER is the International Herald Tribune's staff correspondent in London.

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was an annus murabilis," he said. "I expect total fee income to be significantly less this year, widely across the City."

ment banks were making smaller inroads into

Following are the five largest takeovers within the United Kingdom, by value, in 1986:

VALUE

£2.7 bil.

£2.4 bil.

£0.73 bil

Guinness PLC Hanson Trust PLC Habitat Mothercare PLC British Home Stores PLC £1.5 bil.

Vantona Viyella PLC

Imperial Group PLC Coats Patons PLC

Exco International PLC £0.67 bil.

Evidence from another Aconisitions Month-

"Some of it you can understand as guesswork," Mr. Healey said, "but the rest you can't. These figures show that insider dealing is still flourishing."

A British Department of Trade investigator recently said publicly that he knew of two separate insider dealing "rings." He said one of them had made profits of £10 million. Charges have yet to be announced.

"The Acquisitions Monthly data is very good circumstantial evidence of insider dealing," commented a senior regulatory official who asked not to be identified.

JEFF FERRY, a financial journalist based in London, is a regular contributor to The Wash-

By Jeff Ferry ONDON - The recent series of financial scandals in the City of London, in-

cluding the Guinness affair, is having a surprisingly small impact on the city's takeover boom, according to the major players in the market.

Figures compiled by the Acquisitions Monthly magazine show that in the first quarter of 1987, there were 55 new public bids, compared to 51 in the same period of 1986. However, the total value of the bids, at £2.9

billion (\$4.9 billion), was substantially less than the comparable figure for 1986, £7.8 bil-"There was a momentary slowdown in activity in December and January, when the Guinness scandal first broke," said Philip Healey, editor of Acquisitions Monthly, "but since then, it has picked up. In April alone, there were 30 announced bids."

Hostile takeover bids, however, have been much less in actidence.

much less in evidence. Some investment bankers attribute this to their political sensitivity, suggesting that there will be an upsurge in hostile bids once the impending general elec-

tion is past. Morgan Grenfell, the merchant bank embroiled in the Guinness affair, remains the eague leader so far this year, handling 14 bids

in the first quarter. In January, three Morgan executives, including the chief executive, Christopher Reeves, resigned over the bank's involvement with Guinness. The new chief executive, John Craven, assumed the reins on May 5.

Richard Webb, head of corporate finance at Morgan's since January, foresees little change in the bank's aggressive approach to mergers and acquisitions. "We have always felt very strongly that we

must try our hardest for our clients, and I don't think that will change dramatically," he said.
"Perhaps there will be a bit less emphasis on the star system, and a bit more of a team effort, but it's really only a question of fine tuning."

Mr. Webb said that he did not expect this year's total takeover activity to equal the 1986 figures, which he said were exceptionally high. "In terms of corporate finance profits, 1986

British bankers said that American invest-

Top 5 U.K. Takeovers

ACQUIRING COMPANY

Distillers Co. PLC

British & Commonwealth PLC

British merger activity than many had feared a The Americans do not seem to have been so noticeable so far this year," said Michael Gatenby, head of corporate finance at Charterhouse. Charterhouse captured the No. 2 spot in

quarter, an achievement that Mr. Gatenby attributed to "a lot of hard work in getting close to the large, acquisitive companies."
Richard Kelly, head of First Boston's London mergers and acquisitions group, agreed that American investment banks are taking a

merger and acquisitions rankings for the first

gradual approach to the British market. "In the long term," he said, "if you do well with your clients and prove your expertise, you build up business. We like to think our style lends itself to complementarity with a U.K. merchant bank."

Mr. Kelly cited recent First Boston successes, including working with British merchant bank Samuel Montagu on Argyll Foods' £660 million acquisition of the Safeway supermarket chain, and with Hill Samuel on Beechams' divestiture of its home improvements division. Mr. Kelly said he thought the scandals and investigations were among the factors hasten-

ing a swing back to "relationship banking,"

away from the highly competitive "transaction

banking" climate of last year.

"Clients are putting a premium on trust. confidence and a long-term commitment from a bank," he said.

ly survey suggests that insider trading in London is still going on. A study of price move-ments in 100 bid target companies during the second half of 1986, in the four weeks before the bids being announced, revealed that in 23 cases, the stock rose by more than 20 percent. Some price movements were as much as 40

Rewards High for Strong of Heart

By Ken Ferris

ONDON - The foreign exchange market in London dwarfs other centers around the world — and that includes New York and Tokyo. This dominant position means the City can offer high rewards to banks that are brave enough to speculate in the volatile markets.

The main players in the London market have consolidated their positions through investment in high technology equipment and the high-flying traders who use it. The large volume of funds switched between different currencies provides ample scope for dealers to profit from commissions on corporate business and speculative positions taken in the market. tions taken in the market

The Bank of England has estimated that the average daily foreign exchange turn-over in London is \$90 billion. That compares with \$50 billion in New York and \$48 billion in Tokyo, according to surveys conducted by the Federal Reserve Bank of New York and the Bank of Japan.

The real strength in the London interbank market lies with the large domestic banks. A recent survey by Euromoney magazine shows that Barclays Bank has taken over the top position from Chemical Bank. Close behind are Midland Bank, National Westminster Bank and Citibank.

There are no published figures showing bank earnings from foreign exchange in individual money centers. But London's dominant position in the foreign exchange arena means that each bank does a large proportion of its business - and, therefore, earns a sizable chunk of its foreign exchange profits - in the City.

For banks who make the right calls, the payoffs are considerable. Citicorp, the largest banking group in the United States, accounts for the lion's share of the world currency market. Its earnings from foreign exchange jumped to \$412 million last year from \$358 million in 1985. This represented almost 5 percent of the group's total

Barclays, the largest European bank in the business, also boosted carnings last year to £123 million (\$209 million) from £113 million in 1985. Midland Bank's re-£113 million in 1985. Midiand Dank's return jumped to £110 million in 1986 from £80 million the previous year. National Westminster Bank also saw earnings rise sharply to £110 million from £44 million in 1985. At Chemical Bank the increase in foreign exchange revenues was less spectacular. Earnings rose from \$102 million in 1985 to \$103 million last year.

The profits boom follows the decision by most of the major banks in the early 1980s to make a large investment in the equipment and personnel needed to run an increasingly sophisticated and technologydependent dealing operation.

The foreign exchange business in London is now firmly driven by interbank trade rather than customer demand. This means that the key component in any bank's trading strategy is the skill of its human capital. Being on the right side of a sharp move can do a lot for profitability.

But what about the risks? Have they increased in a period that has seen the



The Bank of England found that trading in futures and options accounted for only I percent of daily average volume in London.



The London branch of Algemene Bank Nederland.

dollar rise to 3.45 Deutsche marks and 263 yen in February 1985 before falling to current levels of less than 1.80 marks and 140 yen under the weight of record U.S. trade deficits?

Volatility may have increased, but the risk of loss isn't as great as it was in the early 1980s," said Steve Mazloumian, se-

nior manager with responsibility for op-tions and special products at Barclays Bank. "There have been whipsaw moves over the last 12 months, but not as regularly as before. Large movements within a trading day are the worst kind to have to avoid." "Market makers are more able to control

risks now than they were a few years ago," noted Michael O'Brien, managing director of foreign exchange in London and Europe at Goldman Sachs, the U.S. investment bank that has established itself among the upper echelon in the foreign exchange

"In periods of greater volatility people don't take the same positions. This means they are more likely to be able to handle

The investment banks have been drawn into the foreign exchange business in London and other major centers because the growth in their capital markets activity has made it necessary for them to transact the currency side of a growing number of deals. They need to be in foreign exchange because their clients have exposures they want to hedge as a result of transactions on the securities side.

The major commercial banks do not see the investment banks as a threat. Indeed some argue that their presence has boosted liquidity in the London market.

The market has grown as a whole so they aren't taking business away from us," said Robert Loewy, foreign exchange manager at Chemical Bank in London.

Nevertheless, competition for corporate orders in the London market is tough. The presence of large numbers of banks willing to make markets in most of the major currencies has forced them to trade on finer margins and narrower spreads as they bid to attract business from sophisticated

Some banks are even prepared to quote prices on which they actually lose money so they can hold onto customers or increase volume. However, most of the major banks believe "buying business" is a short-term

strategy that rarely pays dividends.
"Some of our competition have begun to
make markets on such ludicrous prices that they can pick up corporate business," said Mr. Loewy. "The problem is they do it once and then lose the customer. We have retained our position in the market by

quoting consistently."

The advent of increasingly sophisticated foreign exchange related instruments, such as futures, options, swaps and a range of hybrids, from participating forwards to compound options and swaptions, has also alerted the authorities to the dangers of trading in off-balance sheet items.

The Bank of England imposes limits on

the exposures that banks may take in the market, while the banks themselves adhere to their own daytime and overnight limits. But the question of how to cope with exposures caused by trading in the newer instruments is of increasing concern to the regu-

The importance of off-balance sheet financial instruments in the foreign exchange business is often overstated, however. The Bank of England found that only I percent of daily average volume in London was accounted for by futures and options. Spot transactions contributed 73 percent of turnover and forward contracts out to one year represented 26 percent.

KEN FERRIS is editor of Euromoney

City Meets Challenge Of the Big Bang Era

By Lord Boardman

ONDON - I see the Rig Bang and its after-math in the City of London in a global context and part of the evolution of the financial services industry. New advances in technology, shifting patterns of global capital flows and a plethors of new financial instruments had all heightened the pace of liberalization in the major international financial markets of the world. So it was only a matter of time before financial assets became as easily traded and moved around

the world as any other commodity.

London has successfully taken up that challenge and, with Tokyo and New York racing neck and neck to become the largest equity market in the world, the City has reaffirmed its claim to be the

keading financial center in the European time zone. In fact, the process of deregulation in London has been faster and more courageous than in any other financial market. As a result, it is the most cosmopolitan center and, probably, the most competitive, There are more than 460 foreign banks in London— more U.S. banks, it is said, than in New York City - and they are competing with British banks, secnrities houses, insurance companies and other institu-

tions for corporate and private business.

At this point, there is no discernible decline in the City's attractions for financial services operators, and its future — like that of the banking industry —

looks demanding but good.

A central role in that future is occupied by the application of sophisticated electronics. Indeed, my office close to the heart of the City is within what must be one of the greatest concentrations of electronic hardware in the world, which each working day sustains and fuels London's international man-

But while the flashing acreens have helped to stimulate the City overall, they have claimed at least one major casualty. The floor of the London Stock Exchange is now no longer the bustling hub of securities trading. Instead, screen dealing rules.

The needs of corporate and private customers have changed, too. Today's corporate treasurer has to be offered a wider range of financial options and providers of such services need a more specialist. flexible, global approach. That often means finding solutions from the capital markets as opposed to traditional sources of credit. I do not, however, see the concept of relationship banking being over-hanled. On the contrary, I see the introduction of a capital market capability as one that complements our mainstream commercial banking activities.

In the personal sector, the surge of interest in share ownership in Britain coincides with a desire by financial institutions to take a fresh look at the way in which people's investment needs are served.

A very encouraging aspect of the recent wave of stock market flotations has been the number of firsttime investors. In less than two years, the size of the shareholding public has doubled. With new inves-tors and new institutions in the marketplace, the need for effective regulation and supervision has

In London, the principle of self-regulation within a statutory framework forms the cornerstone of government policy for the new markets. Self-regula-tion is, I believe, a more mature approach in that responsibility for upholding standards falls firmly on the shoulders of the financial community itself.

Additionally, the ability to handle business with iished strength of the City's markets that has en-abled growth and encouraged the flexibility neces-sary for fast-moving global transactions. I have no doubt that London as a financial center can only

thrive if it upholds this principle and retains its reputation for honest dealing and integrity.

The issues surrounding regulation and supervision, of course, go beyond the domestic situation in the United Kingdom. With global financial markets, the question of supervision is also global. Central banks around the world have to ensure that the financial system remains robust, particularly as innovative financing techniques become more wide-

spread. The risks have to be identified and managed. The risk-management challenges of the post-Big Bang era have, rightly, been seen as new opportuni-ties by the British banking community and have opened up business avenues from which there is no

Deregulation has been faster and more courageous here than elsewhere.

The recent joint U.S. and U.K. consultative paper on capital adequacy signals a major step forward. The overall aim is not to create complete harmony in the rules that each country applies, but to set mininum standards.

My own view of the accord between the Bank of England and the Federal Reserve Board, which covers the definition of what should be regarded as capital and how it should be measured, is that it is a step in the right direction. But I do have a few reservations. In Britain, the issue of capital adequa-cy has never been purely mechanistic. By adopting minimum standards for primary capital we should not ignore the virtues of the subjective and qualita-tive way in which the Bank of England has approached supervision in the past. The Bank of En-gland should not be tempted to tip the balance in favor of across-the-board mandatory capital ratios.

I hope that the authorities in other parts of Europe and in Japan will consider using the U.S.-U.K. proposal as a basis for formulating a multilateral approach; the proposal was not intended to be an

tclusive arrangement.

Changes in the financial services industry have brought new challenges for supervisors, financial institutions and customers all around the world. Deregulation has created a climate of intense comtition not just for institutions but also competition between financial centers. I am convinced that London has the unique concentration of people with financial skills, institutions with immense capital strength and an unparalleled sophistication in techniques - human and electronic - that are required for markets today and in the future.

LORD BOARDMAN is chairman of National West-

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expand its research department of 100 analysts which already comprises:

* consistently competitive rates Phone Barrie Lewis-Rauwell on 01-380 5019/5214 Diversification, Growth in Eurocommercial Paper of 1986, programs totaling \$60.75 billion had been signed, com-pared with \$29.6 billion the year By Krystyna Krzyzak ONDON - The Eurocombefore and only \$12.6 billion in

mercial paper market has been one of the Outstandings (the amount actually drawn on those programs) were around \$30 billion, more London-based Euromarket success stories. By the end than double the amount 12 months earlier.

A wide spread of borrowers is now tapping this market. They include industrial corporations, insurance companies, bank holding companies and sovereigns such as Denmark, with a \$1 billion program, and Belgium, which recently announced an unlimited program.
In terms of announced pro-

grams, U.S. entities continue to dominate the market, accounting for nearly 30 percent of it. Many of these view their programs as a funding alternative to the U.S. commercial paper market and in a large number of cases did not use the Euromarket to any significant extent because U.S. rates have been substantially cheaper.

However, Eurocommercial paper has advantages for U.S. bor-rowers beyond an occasional cheap cost alternative. Large borrowers tap it because they can extend their investor base. In the United States, the market is dominated by the giant institutional investors, such as the money mar-

U.S. entities account for nearly 30 percent of market.

ket and pension funds; in the Euromarket, corporations play a significant role, accounting for about 25 percent of purchases.

The most significant arrival in this market has been General Motors Acceptance Corp. GMAC has put no limit on its Eurocommercial paper borrowings. In the United States, it accounts for about 10 percent - or \$35 billion — of total borrowings and it is widely accepted that the corporation may aim to capture a similar amount in the Euromatket. Certainly, its borrowings have been significant, peaking at around \$1 billion in September.

The establishment - and use of large programs has been one of the growing trends of the market, and one which has given it its recently acquired depth.

Burroughs Corp., for instance, set up a facility to finance its merger with Sperry Corp. It chose Eurocommercial paper in preference to its domestic market because publicly offered U.S. commercial paper cannot be used to finance acquisitions.

Eurocommercial paper is not the only short-term instru occupying the attentions of the London financial community. Last April, steeling commercial paper was launched, a market for which many British corporate treasurers have been lobbying in-

This has seen a more modest growth, with around 45 announced programs by the end of last year, totaling around £3.5 billion (\$5.9 billion) in volume but £520 million in borrowings. Sterling commercial paper has been fraught with legal and tax prob-lems, with what many see as overenthusiasm by the authorities to prevent the paper from landing in the hands of the nonprofessional

Sterling commercial paper also faces competition from the bankers acceptance sector, one of the

partly because of its use by the Bank of England as a tool of monetary policy.

Bankers acceptances are particularly competitive in the oneto three-month tenor, and notebly so toward the end of the calendar year, which accounted for the tailoff in sterling commercial paper borrowings in December 1986, down from a peak of £700 million the previous month.

Not all British companies are ligible to use bankers acceptances, which require an underlying trade transaction (property and insurance companies, for example), and these were among the first to amounce programs. That said, the market has proved particularly popular with the British retail companies, which have seasonal short-term cash requirements that the instrument can

easily satisfy. Both the Eurocommercial and sterling commercial paper mar-kets have provided hotbeds of competition for the Londonbased dealers, with a high degree of prestige at stake. In the Eurocommercial paper market, in particular, around 80 institutions are involved in one or more programs, compared with six investment banks that have the lion's

share of the U.S. market.

mercial paper market are concentrating, however, among the top 10 to 15 banks. And while the market has not seen anything resembling the post Big Bang re-trenchment among some equities market makers, borrowers are beginning to review their bankers more stringently.

Last year, Merrill Lynch was dropped by the Australian Wheat Board and Den norske Creditbank, and Credit Suisse First Boston lost its place on Prudential Funding Corp.'s and Com-monwealth Bank of Australia's facilities. These banks are, however, among the leading dealers in the market.

In a high-volume, low-margin business, success is ultimately de-termined by the investor base that the banks have built up.

In the past, many survived by taking paper into their inventories and selling it when interest rates fell. That escape route is now closing, and the market is moving more toward genuine end placement. The shakeout long predicted by many of the leading houses may not be that far away.

KRYSTYNA KRZYZAK is dep-

Recovering From Perpetual FRN Fiasco

By Jeff Ferry

ONDON - The constant development of new instruments and the adding of the proverbial "bells and whistles" to existing financial instruments that has characterized the Euromarkets in recent years is continuing. London bankers say. This is despite the serious setback of February's liquidity crisis in the perpetual floating rate note mar-

An unexpected rush to sell perpetual FRNs that began in November 1986 and culminated in a seizure of the market in February made the \$18 billion face value of perpetual FRNs unmarketable. Estimates of the losses run as high as 18 percent, or

According to David Andrews, a director at IBCA Banking Analysis, Japanese banks, holding around two-thirds of the FRNs, were the hardest hit. The underwriters of the notes, including the London banks Morgan Guaranty, Salomon Brothers and Credit Suisse First Boston, are also rumored to have taken significant losses.

Mr. Andrews believes the significance of the perpetual-FRN fiasco is that many of the new instruments could carry risks that are not properly appreciated by the mar-

New instruments are priced with a lot of high-powered math and computer models to estimate the risks, he said. But when reality struck and nobody would deal in them, it proved that the calculations were all nonsense, he added.

most elegant mathematics in the world, and until something goes wrong, you don't actually know what the risks are," he said. G. Edwin Smith, underwriting manager at Prudential Bache, said that since the perpetuals crisis, innovation is on the de-

"What it shows is that you can have the

"The market is searching for things that have a running yield and that you can sell if you want to, that you won't find yourself having to hold onto for the rest of your life," he said. He cited losses on so-called harmless

warrants and on Australian dollar bonds as other examples of investors' getting burned by innovation.

Charles Berman, vice president of Citibank's new issues syndication department,

"Investors are always interested in some-thing that has value," he said. Mr. Berman added that demand has been strong for currency warrants, notably in the dollar/yen and dollar/Deutsche

"When people feel exchange rates have reached a critical point or a turning point," he said, "a currency warrant can be a cheap way of hedging against a currency move-ment or of taking a punt on it."

E said he anticipated major growth in the market for Euromedium-term notes in the nooths ahead. "Euro-medium-term notes will change

the way people handle their medium-term assets, just as Eurocommercial paper revo-lutionized the way investors handle their short-term assets," he said.

"The Euro-medium-term note market is now at the same stage the Eurocommercial paper market was at two years ago," he

John Lawrence, swaps and options trader at Panibas, was also bullish on the new

"Interest in new instruments in the past six months," he said, "is probably greater now than at any time in the past couple of years. With interest rates low, investors are keen on anything that can improve returns above a straight conventional bond."

Mr. Lawrence cited strong interest in currency and gold warrants and a rapid growth in the market for tradable caps on dollar and Deutsche mark debt.

"A cap is a synthetic way of creating a long-term fixed rate," he said. "It gives hability managers the ability to borrow sixmonth money and protect themselves against interest rate rises for two to seven

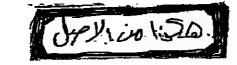
Richard Sharp, underwriting manager at Goldman Sachs' London office, said that the perpetuals crisis has had a significant but limited impact on investor psychology. There is still ample room for innovation in places where the market has been relatively unimaginative," he said.

"We did a \$500 million floating rate note for the Prudential, which was a collatoralized mortgage obligation (CMO), and it was very successful," he said. "Since then CMOs have taken off, right through the crash in the [perpetuals] market."

Traders argued that the perpetuals collapse was a special case.

"The concept on [perpetuals] was funda mentally wrong," said Mr. Berman of Citi bank. "There was too much supply too soon, and what wasn't stuffed down the throats of Japanese banks was left on deal ers' books. That's always a dangerous situ







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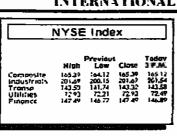
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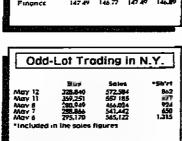
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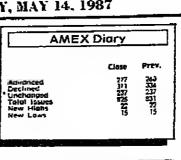
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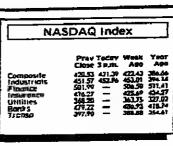
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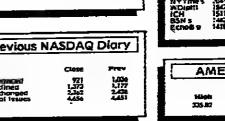
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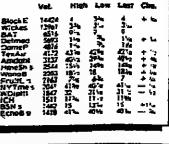
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Dow Jones Averages

Previous NASDAQ Diary

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5is. Close 100s High Low Quat Chig **NYSE Mixed in Active Trading**

> NEW YORK - Prices on the New York Stock Exchange were narrowly mixed in moderate trading late Wednesday, extending the pat-tern that has prevailed since the start of the

> weak.
> The Dow Jones industrial average, which rose
> 15.30 points on Tuesday, was ahead by 1.16 to
> 2.323.76 at 3 P.M. Wednesday. Advances were leading declines by 4-3 among the NYSE issues traded. Volume at 3 P.M. totaled 142.74 million, up

Although most U.S. stock market tables in this edition are from the 4 P.M. close in New York, for

time reasons, this article is based on the market at

from 132.4 million in the same period Tuesday. Prices were mixed in active trading of American Stock Exchange issues. Traders said that the market opened on a

firm note, then weakened in early afternoon trading, in line with slipping bond prices and an easing dollar. Cautious buying allowed most blue chips to erase their losses by late afternoon. "Stocks are just reacting to the bond market, which is acting soft, and the bond market is reacting to the dollar, which is lower," said John

Burnett, senior vice president and head of equity trading at Donaldson, Lufkin & Jenrette. Mr. Burnett said a couple of futures-related sell programs caused "most of the damage" to

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the Dow, which was down nearly 15 points at midsession. He said institutional buying was light in slow trading. "There's no panic," said Robert Kahan, man-

ager of equity trading at Montgomery Securities in San Francisco, "The market just feels kind of blah." Traders said investors are also waiting for the government's report on the merchandise trade deficit, which is due on Thursday. Economists'

estimates of the size of the deficit range from \$11 billion to \$15 billion. With one hour left to trade, Allegis Corp., parent of United Air, was the most active NYSE-listed issue, rising I to 69³4. Boeing and Allegis reached an agreement on a \$2.1 billion jet order deal, which includes convertible notes that could make Boeing Allegis's largest stock-

AMAX was up a bit in active trading.
Centerior Energy was down sharply. The
Ohio Public Utility Commission granted the
utility an emergency \$43 million rate increase. but some members of the commission told a Cleveland newspaper that in the future, shareholders might have to shoulder part of the hurden of the company's problems, possibly through a dividend cut.

Texaco was lower. Its president told share-holders on Tuesday that first-quarter results were "not satisfactory." Pennzoil. Texaco's largest unsecured creditor because of a huge judgment it won in the fight over the purchase of Getty Oil, also was down.

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THURSDAY, MAY 14, 1987

Page 17

WALL STREET WATCH

Steel Stocks Begin to Show Rose 0.1% Their Mettle on Wall Street

By VARTANIC G. VARTAN

New York Times Service

EW YORK - When LTV Corp., the second-largest U.S. steelmaker, filed a bankruptcy petition last July, shock waves went through an industry already facing intense price competition and sluggish demand. The move raised fears that LTV could emerge as the industry's lowcost producer, and share prices of competitors plunged by onehalf to three-quarters.

But investors who scrapped steel issues last summer might regret that decision now. Last week, the stocks of Bethlehem, Inland and USX - along with shares in Armco and Lukens, among others - traded at their 52-week highs.

Investors who sold

summer might rue

that decision now.

steel issues last

This turnsbout reflects surging orders and higher prices, along with a steady decline in steel-

making capacity, all of which have vastly improved some companies' earnings outlook. Money managers, furthermore, are purchasing com-modity-related stocks that stand to benefit from a whiff of inflation as well as a cyclical upturn in the economy.

Wall Street analysts, too, have been taking a more kindly look at the industry. Last week, Smith Barney, Harris Upham & Co. added USX to its recommended list on the advice of George D. Baker, the firm's domestic oil analyst. USX now derives more than 70 percent of its revenues and cash flow from oil, thanks to its ownership of Marathon Oil and Texas Oil & Gas. One major company problem last year was the decline in oil prices.

Since Smith Barney is bullish on oil stocks as well as cyclical stocks, USX would seem to be a natural choice. Mr. Baker set a target price in the mid-\$40s for the stock over the next 18 to 24 months. On Tuesday, USX closed at \$32.25 on the New York Stock Exchange, compared with \$14.50 last August. Prudential-Bache Securities also likes USX, calling it a "for-

merly moriband steel giant that has transformed itself into an asset-rich, well-managed and competitive diversified energy company." The firm estimates that per-share earnings will leap from 75 cents in 1987 to \$2.80 next year.

Michelle Galanter Applebaum, the steel analyst at Salomon Brothers, first put USX on her buy list in mid-January at a price of \$24. The long United Steelworkers strike against USX ended in February and the new contract, Ms. Applebaum said, "provides for significant cost advantages versus USX's competitors" and should allow USX to be profitable by the third quarter of

But Charles A. Bradford of Merrill Lynch recently jumped off the USX bandwagon, after favoring its purchase for a time in 1986, "As stock prices move up, I like to lower my ratings," he said. "When things look attractive in the steel industry, these stocks respond quickly. But I think you should buy them when prospects are bleak."

Peter F. Marcus of Paine Webber issued two recommendations last week. The analyst went from "neutral" to "buy" on Inland Steel, which he regards as a low-cost producer with considerable operating leverage. Inland closed Tuesday at \$31.25, compared with \$14.50 last July.

He also strongly recommended Bethlehem Steel "as a trade," because of its even greater sensitivity to swings in steel prices. "But I kept Bethlehem at a neutral rating," he said, "because the company has more than \$60 a share in retiree liabilities for pensions and group insurance." Bethlehem Steel was up to \$14.625 Tuesday from \$4.625 in December, but still below its \$22. trading price in March of last year.

Inland is the other steel stock - recommended last November at \$20 — that Ms. Applebamm favors. She, too, cites Inland's operating leverage and estimates company earnings at \$3.28 a share for 1987 and at \$4.99 next year.

Mr. Bradford, the Merrill analyst, names Armoo (at \$12.125 on Tuesday from \$4,125 last year) as his current favorite. The company lost money from 1982 to 1986, but the analyst estimates profits this year at 50 to 75 cents a share and \$1 a share in 1988.

U.S. Sales In April

Meager Gain Surprises Many

Compiled by Our Staff From Dispatches WASHINGTON — U.S. retail sales inched up a meager 0.1 percent in April, the Commerce Department reported Wednesday. Some economists said the sluggish growth reflected the cautiousness of consumers who are short of spending money.

Analysts had been predicting an se closer to 0.6 to 0.8 percent. The March sales figure, however, was revised upward to 0.8 percent from the 0.2 percent earlier reported. Some experts said that the higher March figure may have absorbed some of the expected April gain.

Auto sales were down 0.9 per-cent from March levels, while sales of furniture and home furnishings were down 1.4 percent. Nonauto sales were up only 0.4 percent.

Some economists said that the report not only showed a tiny gain, it showed it in the wrong places — in food and gasoline sales, where the increases reflect rising prices rather than more spending.

in the more important areas of durable goods, consumers stayed away. They were buying fewer cars and less furniture, apparently un-willing to shoulder more debt for discretionary purchases.

"It's a pretty weak report. Very weak, as a matter of fact," said Michael K. Evans of Evans Economics, a Washington consulting from "I really think that consumers have given up. They don't have the money, and they're not borrowing anymore. Wages and salaries are not keeping up" with prices. The White House spokesman

Marlin Fitzwater, maintained with-out elaboration, "Retail sales are

looking good."
While the month-to-month figures showed little movement, the department said longer-term fig-

mes were more encouraging.

April sales were 5.9 percent above April 1986 levels, with car sales up 5.4 percent and nonauto

In a separate report, the Federal Reserve Board said Wednesday that one in five U.S. banks posted losses last year and many of the others suffered declining profits, mostly because of bad farm and

By comparison, the study said, only 4 percent of banks had losses in 1979, 8 percent in 1982 and 17

By Axel Krause

language diluted, in the communi-

que issued at the close of the two-

U.S. officials, nevertheless, ex-

pressed satisfaction with the out-

come of the meeting, noting that

they had won victories in two im-

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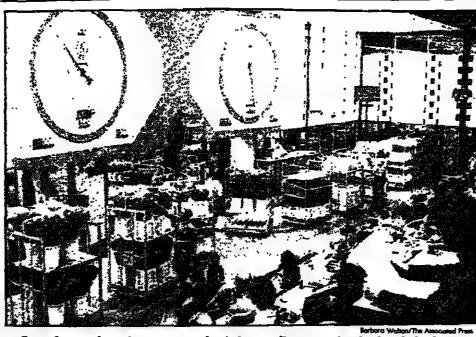
international agreement to "decou-

farms," said a senior U.S. negotia-

day meeting.

onal Herald Tribuni

percent in 1985. (AP. UPI. Reuters)



One of several auction rooms at the Aalsmeer flower market in the Netherlands.

Computers Bloom in Flower Trade **Dutch Automate Their Markets to Maintain Exports**

By Ronald van de Krol

Special to the Herald Tribune
AALSMEER, Netherlands — Every weekday morning, in the time it takes most budding flower arrangers to craft one floral display, 12 million cut flowers and one million house plants will change hands in a cavernous auction hall in this town outside Amsterdam.

Similar scenes are repeated at smaller auctions throughout the country.

Ever since the tulip was introduced into their country from Turkey more than 400 years ago, the Dutch have ruled the world flower market as firmly as Britannia once ruled the waves. To protect that dominance into the next century, they have turned to a relatively new tool - the com-

Every weekday at 10 A.M., in the "high-tech" flower auctions around the country, computers sort, catalog and otherwise track consignments of roses, tulips and orchids and speed them on their way to all-important export mar-

Each year, Aalsmeer alone processes 900 million roses in 80 varieties, 250 million tulips, 200 million camations and 120 million chrysanthemums, not to mention millions of begonies, poinsettias and azaleas.

Without the aid of computers, auction officials say, the market would be overwhelmed.

"We'd have no hope of keeping track of the flow of flowers if the whole system weren't com-puter-based," said Adrienne Lansbergen, the Anismeer auction's spokeswoman. "The num-

bers have grown too big to do the size of 55 soccer fields, inanything else.' Such efficiency cuts costs,

helping the Dutch maintain a comfortable lead over rivals in Colombia, Israel, Spain and Kenya, where growers are blessed with better weather and lower

It also means the freshly-cut

We'd have no hope of keeping track of the flowers if the system weren't computer-based.'

spokeswoman

flowers can be sold in New York, Tokyo or Sydney later that same day or early the next morning.

And the staggering size of the turnover means individual growers can afford to specialize in certain flowers, unlike horticulturists in other countries who need to produce a number of different flowers to ensure an ad-

"Some of our growers produce only lilies or only irises in all their varieties," Mrs. Lansbergen said. "Buyers know they can always get the kind of flower they need in just about any quantity

or color. The Asismeer auction hall complex, which covers an area

sures in the trade talks being orga-

cludes a special liaison department for especially large orders. "If a supermarket chain wants a few thousand ferns all of the same size, we can put them in touch with the right growers," she said.

Housed in a large area below the auction floor, the computer room begins its work when the flowers arrive before dawn for the early morning auctions: the consignments are given a computer code that remains with them as they move from arrival hall to auction hall and finally to

shipping areas. During the auction itself, the computer registers up to 20 transactions per minute as flow-er-laden trolleys are pushed into the auction hall and through the complex by chains buried in the

The Aalsmeer auction, run as a cooperative by 5,000 local growers, has expanded periodically since it was opened in 1972. Management is now working on improving the flow of flowers through the complex and strengthening the computer system to cope with the steady rise in the Dutch crop.

The Dutch produce seven billion cut flowers and half a billion house plants each year, accounting for 63 percent of world flower exports and 51 percent of potted plant exports. None of its competitors have more than an 18 percent share of either mar-

In 1986, the Dutch exports were worth 4.8 billion guilders See FLOWERS, Page 21

Japanese Firms Are Warned on **Currency Trade**

By Susan Chira

New York Times Service

TOKYO - In an effort to halt the yen's rise, Japanese government officials summoned major Japanese participants in the foreign exchange market on Wednesday and asked them to refrain from speculative currency trading.

The request, which Finance Ministry officials called "moral persuasion," sent the dollar up slightly and stock prices down sharply in Tokyo. Officials said that the request was not part of a coordinated effort with other countries.

Finance Ministry officials said

The dollar was little changed before the release of U.S. trade figures. Page 21.

have to heed their advice, but one foreign banker said the ministry was following up its request with a requirement that banks report their trading positions to the ministry, which would allow officials to de tect speculative trading.

In Japan, such "administrative guidance" has proved a powerful tool. Although compliance is voluntary, most companies do not want to alienate their regulators.

But it is not clear whether such persuasion will work in this case. The ministry has no say over other falls in New York, for example, it is

likely to keep falling in Tokyo. Moreover, bankers in Tokyo say, there is nothing to prevent Japanese companies from placing speculative orders through overseas

branches or dealers. rected at major Japanese and for- currency positions. eign commercial banks, life insurfirms; and the Ministry of Internaand oil companies, all of which have been active in the currency

banks licensed as foreign exchange dealers.

in all, more than 100 companies were called in or advised of the

ministries' requests. The dollar rose as high as 140.90 yen before closing at 140.05 yen in Tokyo, still up from 139.55 at Tuesday's close. The Nikkei Dow Jones average of stock prices plunged 172.66 points to close at 24,363.19.

Finance Ministry officials said they last convened a similar meeting in the summer of 1985, when they told financial institutions that they should warn their clients of currency risks involved in buying foreign bonds. In the fall of that year, the agreement in New York by major industrialized democracies helped push the dollar down.

Makoto Utsumi, director-general of the Finance Ministry's International Finance Bureau, said he hoped the request would contribute to stabilizing currency rates.

Because many Japanese companies are major investors in foreign bonds, they have been trying to hedge against currency losses in recent days. Mr. Utsumi said that while he was not telling companies to completely stop hedging risks which might discourage companies from buying more foreign bonds he was asking them to consider moderating such moves.

"Hedging is a very legitimate way of avoiding risk, but to rush to hedge is like tightening a noose around their own necks, because currency markets, and if the dollar the dollar would then depreciate further," he said.

He said the ministry had no intention of tightening market regulations, but suggested that a clear warning had been delivered to par-

A foreign banker said bankers at The request to avoid speculative the meeting were told that they dollar-selling came from two would be required to submit regu-sources: the Finance Ministry, dilar reports of their maximum daily

"They're really bearing down," ance companies and securities he said. "If you want to do a little : speculation, you can go like crazy tional Trade and Industry, directed all day long and then close your at trading, electronics, automobile position out by the time the day ends. But if you have to give your maximum position, they'll catch market, placing orders through you.

Japanese Trade Surplus With U.S. Is at Record

Compiled by Our Staff From Dispatches

TOKYO - Japan's merchandise trade surphis shrank slightly in dollar terms, the Finance Ministry

announced Wednesday. In a preliminary report that bodes ill for the release Thursday of U.S. trade figures, the ministry said Japan's surplus with the United States grew to a record \$5.15 billion in April. from \$3.78 billion gree to which farmers are support- a senior OECD secretariat official in March and \$4.74 billion a year earlier. Japan's previous monthly record surplus with the United States was \$4.98 billion in October.

Currency changes have caused a sharp increase in the dollar value of Japanese exports to the United States, although Japan says the volume of its exports is gradually de-

The record surplus came as the proposal," said a delegate of the U.S. Congress is considering measures against countries that run large surpluses in trade with the government has imposed 100 per-

retaliation for Japan's alleged failure to abide by a semiconductor. trade agreement. Economists said the report was

of Japanese electronic products in

United States reached a record in likely to increase protectionist sentiment in the United States.

On a worldwide basis, Japan's trade surplus contracted last month to \$7.57 billion from \$8.09 billion in March, but was still much wider than the \$6.85 billion a year earlier. Total exports in April rose near-

ly 10 percent from a year earlier, to \$19.5 billion, just below the record \$19.66 billion in December, Imports increased 9.4 percent from a year earlier, to \$11.93 billion.

The surplus with the United States grew despite determined efforts to reduce it. including the 45 percent decline in the dollar against the yen in the past two years. It was hoped that the weaker dollar would reduce the U.S. deficit by making U.S. goods more competitive on world markets and pushing up the United States. In addition, the U.S. price of its imports, including those from Japan.

Currency Rates

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Sources: Indosvez Bank (Brussels); Base de Paris (Paris); Bank of Tokyo (Tokyo). (ruble). Other data from Reviers and AP.

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these kinds of meetings," he added. Observors said the United States had made progress on its general goals, even if specific language and proposals were defeated.

ple" farm supports from price sup-ports. "That means the OECD agreed to support farmers, not framework for use in negotiating a tor.
"Everyone makes tradeoffs in wide range of farm-support mea-

nized by the General Agreement on back down on on their demands. ed by government programs. The main opposition to this provision came from Japanese officials, who, delegates said, feared triggering opposition from powerful farm groups at home. Instead, ministers softened the language to authorize the OECD

OECD Farm Statement Falls Short of U.S. Goals

The 10-page document was notable for what it didn't contain, howeve. For example, it made no mention of a new OECD computerized

updating and improving the analytical tools it has begun to devel-U.S.-supported proposals on farm prices also were dropped, notably a suggestion that "excessive, guaranteed prices" be phased out gradually within OECD countries.

secretariat to "further its work by

The deletion was regarded as a victory for West Germany. "We can accept a policy on prices, but not commitments that would lead to actual (farm) price reductions in nominal terms," Otto Schlecht, state secretary of the Economics Ministry, said Wednesday.

broaden" form reform talks.

Tariffs and Trade. The framework but let's say they toned down their would have represented the first approach to farm and trade issues, comprehensive measure of the de- which dominated our discussions," Agreement on the wording in the communique followed tense de-

"The Americans did not really

sistance expressed by West Germany, fearful of hostile reaction by its farm lobbying groups. "We had trouble convincing the clining. Germans to accept the decoupling European Community's executvie

bate, primarily stemming from re-

"But Germany agreed, partly be-cause the United States eased away from pressing too hard on reducing farm prices - a highly domestical ly sensitive issue for the Germans," the commission official said.

commission, representing the 12

agreement, West German Economics Minister Martin Bangemann, chairman, said the meeting had The communique also dropped been a "good success," because it another U.S.-backed proposal, urg-committed OECD members to ing the seven leaders meeting in starting cutbacks in government Venice next month to "further programs that subsidize and protect farm trade.

Channel Tunnel Secures Loan Of £1 Billion From EC Bank

LONDON - Eurotunnel, the consortium that plans to dig a rail-road tunnel between Britain and France, said Wednesday that it had

The bank is the development The co-chairmen of the consorium, André Bénard of France and Alastair Morton of Britain, said the loan was part of an overall bank financing package of £5 billion that

is being sought by Eurotunnel.
The EIB has a superb capability for independent technical assessment and has decided that the tunnel is a viable project, which will be of great benefit to Europe," they said. The European Investment Bank,

the loan was backed by a syndicate including British and French banks and that no government funds or British Rail and Societé Nation-

secured a loan of £1 billion (\$1.7 ale des Chemins de Fer of France billion) from the European Invest- settled on Tuesday a financial disagreement with the Eurotunnel consortium and agreed on the price fund of the European Community. they would pay to use the tunnel under the English Channel. The figures were not released.

Mr. Morton said the agreement meant the consortium could go ahead with plans to raise funds from international banks, which he said should be completed by July. The planned public share offering to raise £750 million, which was

Preliminary work has started on based in Luxembourg, said the the French end of the tunnel near Euronomel project would stimu- Calais. The project is expected to late Europe's economy. It said that be finished in 1993.

postponed from July, is expected to

take place in November.

HARRY WINSTON

Very special exhibition the rare jewels of the world

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London Court Dismisses Request on ITC Receiver

LONDON — A British court dismissed Wednesday a request to appoint a receiver to recover debts from the 22 member states of the

insolvent International Tin Council.

Maclaine Watson, a London Metal Exchange dealer, last month asked the London High Court to appoint a receiver to recover £6 million (\$10 million at current rates) he is owed by the ITC, a cartel of major consumers and producers. The judge ruled, however, that the ITCs nights concerning its members were derived from an international treaty and were outside the jurisdiction of British courts.

The ITC are at 6000 million to condition by

The ITC owes £900 million to creditors because of its efforts to prop up the fin market after the LME, the major forum for tin trading halted dealing in the metal in October 1985.

Dealing stopped because the ITC ran out of Gerber 1

Company Results

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Spain, Portugal to Seek Membership in EMS

STRASBOURG, France — Spain and Portugal, which joined the European Community in 1986, are eager to join the European Monetary System, their central bank governors said.

Wednesday.
Only eight of the 12 EC states have joined the EMS currency mechanism, aimed at promoting stability among EC currencies. Spain, Portugal. Britain and Greece do not have full EMS mem-bership. The system allows currencies float against each other within agreed limits, where

against each other within agreed limits, where central banks are required to keep them.

The Bank of Spain's governor. Mariano Rubio, at a meeting at the European Parliament, suggested 1989 as a target date for Spain's entering the system. By then, Spain could have completed economic adjustments needed to bring its monetary policies more in line with other members, he said.

The Bank of Portugal's governor, José Tavares Mareira, said Lisbon would have to work toward ending a disparity between its economy.

toward ending a disparity between its economy and others before joining the currency float. He

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U.S. Futures

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Spot Commodities Prev. 71.90 1.07 22.75 212.00 0.25 0.96 8.90 672.00 672.00 4.2156 0.41-43 Today 72.50 1.86 22-75 213.00 6.33 0.96 8.815 673.00 76 4.2183 S&P 100 Index Options **DM Futures** Options

> 1.94 U.S.Treasuries Est. Iolal vol.: 7,866 Colls: Tac. vol 5,901; open let. 77,448 Pals: Tac. vol. 6,475. open let 58,415 Sharmer Colls.

SAS Postpones

Decision on Jets

Until September

Belgian World Airlines.

In December, SAS signed a letter of intent to buy 12 Mc-

Donnell Douglas MD-11 airlin-ers for 10 billion kronor (\$1.5

billion), but later threatened to

cancel the order after receiving

a lower bid from Airbus Indus-

trie, the European consortium.

A spokesman said the airline

was also considering replacing

DC-10s on its intercontinental

routes with a new long-range

version of Boeing Co.'s 767 model. SAS would not give de-tails of the Boeing bid. Airbus's

long-range A-340 model is also

The spokesman said that the

final selection would depend on "joint fleet planning" with Sa-

bena, which also uses DC-10s

The two carriers have been

for its long-range routes.

Boeing: A 'White Knight' for United

NEW YORK - United Airlines' \$2.1 billion purchase of Boeing Co. airplanes is aimed at protecting the carrier and its parent, Allegis Corp., from hostile takeover, analysts said.

The agreement, disclosed Tues-day, could ultimately put 14 to 16 in ight" with the power to deterpercent of Allegis's common stock under the control of Boeing, the over Allegis, Mr. Joedicke said. Seattle-based airplane manufactur-

MD-11s Ordered By Dragonair

LONG BEACH, California

— Dragonair, based in Hong
Kong, has ordered two McDon-

nell Douglas three-engine MDlls and taken an option on a third, the U.S. manufacturer has announced. The first plane is to be deliv-

ered in January 1992, McDonnell Douglas said Tuesday. The order's value was not disclosed. Dragonair flies to China and Thailand. It has obtained landing rights in Guam, Bangladesh and Nepal The MD-11, successor to the DC-10, has a range of 8,000 miles (12,750 kilometers) and can seat 245 to 405 passen-

Robert Joedicke an airline analyst for Shearson Lehman Brothers, late 1985, put a substantial "chunk" gis more vulnerable to a takeover. of stock in friendly hands while also keeping it off the market."

Whether the agreement between er. Allegis also owns Westin Hotel Allegis and Boeing would cause regulatory problems was unclear.

notes that it can convert at any time for 10 million to 11 million Allegis

new series of Allegis preferred stock that United values at \$500 a tock that United values at \$500 a Under the original 1985 arrange-hare. Allegis has around 70 mil-on common shares outstanding.

Boeing's stock closed Tuesday at 747s for a total of \$3 billion. The share. Allegis has around 70 million common shares outstanding.

On April 5, United's pilots' union announced that it would seek to buy United for \$4.5 billion. Allegis stock began to trade heavily and rise on the possibility that United would be sold. The

back \$1.375 to \$66.375 in heavy

Co, and Hertz Corp., a rental car pilots' proposal, which is being

prsued by union leaders. Richard J. Ferris, chairman and chief executive of Allegis, said at a said the agreement, which revised recent news conference that the an airplane transaction reached in move by the pilots had made Alle-

STOCKHOLM - Scandanavian Airlines System said Wednesday that it had post-poned until September a deci-Several analysts noted that it was unusual for an airplane maker to be given such a large stake in an airsion on a major order of new icts as talks continue on a possible collaboration with Sabena

He said there was little chance Boeing would seek to take over

Such a combination is prohibited by U.S. laws going back to the Air Mail Act of 1934. That law curbed Under the arrangement, Boeing Mail Act of 1934. That law curbed provided United with \$700 million connections between airlines and in financing and in return received manufacturers that supplied them with planes, engines and parts. The act forced the precursor of

shares, depending on the price of the stock over 20 business days.

United Airtines, United Aircraft & Transport Co., to break into three Boeing could instead convert the operating companies: United, notes into 1.4 million shares of a Boeing and Pratt & Whitney, now a unit of United Technologies Corp.

S45.25, up 12.5 cents, on the New revised transaction is for 36 planes. York Stock Exchange. Allegis end. 15 of them long-range 747-400s, to ed at \$67.75, up 50 cents, but by midday Wednesday had fallen 300s, to be delivered by 1995. United said some of the 747s

would be used to replace older planes it inherited when it bought the Pacific routes of Pan American

engaged in talks for some time aimed at a merger or other co-operative effort that would counter mounting international airline competition. Allegis board decided against the ordered new aircraft.

BUSINESS PEOPLE

Marketing Executive Leaves Wendy's

By Arthur Highee

The executive vice president for marketing has resigned at Wendy's international Inc., a fast-food chain based in Dublin, Ohio.

William M. Welter said he was leaving because of a "disagreement with management over the strategic direction of Wendy's marketing." Robert L. Barney, Wendy's chair-man and chief executive, said the company was selecting a new marketing chief.

Mr. Welter joined Wendy's in 1981 as vice president for marketing, He headed the team that developed the popular "Where's the Beef?" series of television commercials in 1983. Last month, Wendy's unveiled a

en with the theme line "Give a Little Nibble" that shows people breaking chunks of meat off huge replicas of hamburgers. The commercials were created by Dick Rich Inc., a New Yorkbased advertising agency that developed Wendy's "Hot 'n' Juicy"

campaign in the 1970s. The International Fund for Agricultural Development, a Rome-based United Nations agency for funding rural progress in the Third World, has named Enrique Ter
Horst as assistant president for
general affairs, and, in effect, er goods and financial services
IFAD's chief administrator. The company with headquarters in Old

Bankers Trust New York Corp. en over Mr. Lougee's other post of said David Beim, its managing di-rector for investment banking, had Atlantic Richfield Co. has named resigned. Mr. Beim, 46, said that two presidents of Arco operating after nine years in a commercial divisions. Harold Heinze, who has bank he wanted to return to a tradi-been president of Arco Alaska Inc., tional investment bank. Mr. Beim was named president of Arco had been with Bankers Trust since Transportation Co., replacing Hi-1979. As head of investment bank- ram Bond, who has retired, Wil-

ing, he was responsible for capital liam Wade Jr., who has been Arco's

markets, mergers and acquisitions. vice president of corporate plan-

ning, will take Mr. Heinze's former McDonnell Douglas Corp.'s position, the company said. Douglas Aircraft division has named Richard A. Bibee to head its MD-80 twin-engine jet program after a six-year absence from the company. Maurice A. O'Connor, MD-80 manager since 1981, has been appointed director of product new television advertising camdesign. The MD-80, begun in 1977 and formerly known as the DC-9, will remain the company's largest transport program until the new MD-11, an updated version of the

DC-10, swings into production. Mr. Biboc, 50, had been vice president for contracts and pricing when he left Douglas in 1980 to become vice president of finance and procurement at Cammacorp, which oversaw the engine modification of more than 110 McDonnell Douglas DC-8 jets.

post had been vacant since the re- Greenwich, Connecticut, says its tirement of Abbas Ordoobadi of president, Virginius B. Lougee 3d, Iran two years ago. Mr. Ter Horst, plans to retire at the end of the 38, is the Venezuelan ambassador year. Mr. Lougee, 60, will continue

INTERNATIONAL POSITIONS

and deputy permanent representa-tive to the UN office in Geneva. as president until then but William J. Alley, 57, vice chairman, has tak-

Matsushita Develops Chips

Agence France-Presse OSAKA, Japan - Matsushita Electronics Corp. said Wednesday that it had developed the world's first 8-megabit and 16-megabit mask read-only memory chips, capable of storing 14,000 and 28,000 Japanese or Chinese characters, reFraser's Ex-Chief Will Head BAe

International Herald Tribine

LONDON - Roland Smith. ormer chairman of House of Fraser PLC, the department store chain, is to be the next chairman of British Aerospace. Britain's biggest aircraft manufacturer, the company has an-

Mr. Smith, 58, now a professor of marketing at Manchester University, will succeed Sir Austin Pearce, 65, who is retiring, BAc said Tuesday.

Mr. Smith successfully resisted a four-year effort by Lonrho PLC to buy House of Fraser. whose flagship store is Harrod's in London. He and Fraser parted amicably in 1986 after the Egyptian al-Fayed brothers bought the company.

Weekly net asset value

Tokyo Pacific Holdings N.V. on May 11, 1987: U.S. \$217.21

Listed on the Amsterdam Stock Exchange

Information: Pierson, Heldring & Pierson N.V., Herengracht 214, 1016 BS Amsterdam.

Bayer Profit Up 3.2% Despite Sales Decline

Reviews

Capital by a nominal 600 million the fall of 1988 will probably reLEVERKUSEN, West Germay — Bayer AG reported Wednesav that group wester are the funds now, he said, the

Standard Transporter of the fall of 1988 will probably require a nominal 30 million DM, he
said. by - Bayer AG reported Wednesday that group pretax profit in the first quarter rose 3.2 percent, to 715 million Deutsche marks (about \$400 million at current rates) from 693 million DM in the first quarter

The company said the improvement had been achieved despite a 9 percent decline in sales, to 9.46 billion DM from 10.39 billion.

World group 1986 net profit rose: 3.8 percent to 1.49 billion DM against 1985. Sales fell 11.3 percent to 40.75 billion, as had been reported previously. Bayer will propose an unchanged 10-DM dividend. Hermann Strenger, the manage-ment board chairman, said the

company expected earnings and volume sales for 1987 to be around last vear's levels. The drop in world sales in the

first quarter was due to the mark's strength, he said. The group's operating profit fell slightly because of the mark's rise against major trading currencies. Sales by volume were barely changed from the first quarter of 1986, brands Bayer's finance director, Franz-

that the company would ask share-

holders at the annual meeting on June 24 to raise authorized share

THE SHAPES

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Philips NV Issues 20 Million Shares

Josef Weitkemper, said Wedn

AMSTERDAM - Philips NV. the Dutch electronics giant, issued 20 million shares Wednesday at a price of 48.60 guilders (\$24) each. The offering, Philips's largest in-ternational issue, which the company announced last month, raised 972 million guilders, based on the

market price at noon Wednesday. Trading in the shares was suspended for an hour in the afternoon for announcement of the of-fer price. The shares closed at 47.90 guilders in Amsterdam. The offerng was launched on the New York Stock Exchange and the 17 Europe-an exchanges where Philips is list-ed. Officials organizing the offer said it was heavily oversubscribed.

The issue, one-quarter of which was reserved for U.S. investors, coincided with Philips's recent drive to enhance its standing in the U.S. market, investors said. Last month, Philips's shares were moved to the New York Stock Exchange from the over-the-counter market.

Philips said proceeds would be used for general corporate pur-

Dome Signs Amoco Merger

The Associated Press TORONTO - The debt-ridden Dome Petroleum Ltd. has signed a definitive merger agreement with the Canadian subsidiary of Amoco Corp. in a transaction valued at about 5.1 billion Canadian dollars

(\$3.86 billion). Dome had signed an interim agreement with Amoco on April 18. The federal government, credi-tors and shareholders must approve the sale before Amoco Canada Petroleum Co. takes possession of Dome's assets, valued at around

The agreement signed Tuesday does not end the interest of Amoco's rivals, including TransCanada Pipelines Ltd., which have said they would consider counterbids.



CO INVESTMENT COMPANY AG

authorization would allow the company to react immediately to financial needs and changing capital market conditions in the next five

destined for rights issues and 200 million DM for acquisitions and new listings of Bayer shares on foreign stock exchanges. The stock market listing in Tokyo planned for

23% of Chinese Firms Had Losses in Quarter The Associated Press

BELJING - Twenty-three percent of China's state-owned industrial concerns were unprofitable in the first quarter of 1987, the China Daily said Wednesday.

It said the combined losses were

Mr. Strenger said that in value Western Europe were barely changed against the same period last year. Business in North Ameri-Mr. Weitkemper said 400 million ca declined 19 percent to 1.8 billion DM of the new authorized capital DM and Latin American sales fell ca declined 19 percent to 1.8 billion percent to 462 million DM.

The chairman said Bayer had reached agreement in principle to sell its U.S. subsidiary, Helena Chemical Co., to an international

Helena, which trades agricultural chemicals, had revenue of \$444 er's strategy because only 5 percent products from the Bayer group.

were altered to comply with new \$410 million, 42 percent over the seconding legislation and 1986 figures-earlier period. The paper said the innoiser of state enterprises recomparisons. He did not detail the

porting losses rose by 933 to reach effect of the changes on profit and \$15,000, the provious year. up to

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trading company. He gave no de-tails on the buyer or the price.

million in 1986. Mr. Strenger said the company did not fit into Bayof its revenue was achieved with Mr. Strenger said accounting procedures for first-quarter figures

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Tokyo, Japan.

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- Fluency in Japanese a must.

- MBA preferred.

- Telecommunications/Electronics background pre-

THE COMPANY:

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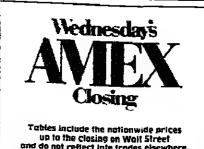
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Via The Associated Press

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Trinkaus & Burkhardt 200 years of banking



1986:

Group Accounts 1986

As a consequence of the Bank's conversion into a KGaA and listing on the stock exchange, new dimensions have	Selected Data	in DM million
opened up for our future business development. A DM 100	Total business volume	7,265
million convertible bond issue floated in December was	Balance sheet total	5.929
favorably received by investors, thus forming the	Credit volume	4,285
hasis for strengthening our long-term lending capacitiy.	Securities holdings	1,051
Ongoing press coverage and daily quotations of our shares	Capital resources	252.5
support our intensive efforts to gain new commerical,	Net interest	96.0
institutional, and individual clients.	Net commission	95.3
Capital resources rose from DM 219 million to DM	Partial operating profit	73.7
252.5 million. Record results were achieved in 1986. The	Pre-tax profit	68.8
balance sheet total remained virtually unchanged, whereas	Post-tax profit	21.0

Winning New Markets

Selected Data	in DM million	Change as against 1983
Total business volume	7,265	1.6%
Balance sheet total	5.929	3.0%
Credit volume	4,285	1.3°c
Securities holdings	1,051	.: 15.8%
Capital resources	252.5	+ 15.30-0
Net interest	96.0	+ 5.1%
Net commission	95.3	+23.4%
Partial operating profit	73.7	+ 10.7%
Pre-tax profit	68.8	+ 8.5%
Post-tax proftit	31.9	+ 8.6%

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PUTTING CAPITAL TO WORK

million the previous year.

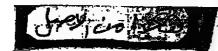
by 5.1%. Total staff expanded from 662 to 723.

The Bank's shareholders will directly benefit from the improved results. The General Partners have proposed that the dividend be raised from DM 8 to DM 9 per nominal DM 50 share, thereby increasing the dividend payout from DM 14.0 million to 16.2 million. Distributable profit amounted to DM 24.9 million compared with DM 22.7

assets under management increased from DM 13.2 billion to DM 14.9 billion. Securities trading rose by 70%. Substantial progress was also achieved in underwriting with three issues under our lead management for the first time. Strong results were recorded in our own securities and foreign exchange trading. The partial operating profit was up 10.7%. Net commissions rose by 23.4% and nearly reached the level of net interest income, which increased

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Dollar Stable Before U.S. Trade Data

LONDON -The dollar was little changed in Europe on Wednesday as investors awaited the release Thursday of U.S. trade figures be-fore deciding whether to shift funds

into or out of the currency. An unusual move by the Japanest government, asking banks and securities firms to refrain from making speculative runs on the dollar, prompted many Tokyo traders er of Japan's request.

The dollar closed in London at

The government summoned heads of major financial institutions to make its request, after the release of trade figures for April

First showed a record \$5.15 billion

Surplus in merchandise trade with
the United States, although a slight

The British pound closed at
\$1.6712, a slight gain from \$1.6695.

Dealers said they expected the the United States, although a slight

trimming of Japan's global surplus. The figure disquieted many European investors, who hope that Thursday's data for March will show that the U.S. trade deficit is declining and take the pressure off

Maybe they know something

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London Dollar Rates

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that we don't," said a London deal-

1.7890 Deutsche marks, unchanged from Tuesday's close, and at 139.75

U.S. trade statistics to show a \$13 billion to \$15 billion delicit for March, compared with the \$15.1 billion February deficit, which sent the dollar down last month.

"If the deficit is over \$15 billion it will just kill the dollar," said a London trader. But anything better than a \$13.5 billion deficit could

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Hopes, subsequently disappointed, that West Germany's Bundesbank might follow Tuesday's inter-

The dollar eased slightly during the afternoon when there was no announcement from the Bundesbank of a rate cut and in response to new of a rise of only 0.1 in U.S. retail sales in April. But dealers said most investors remained pre-

1.7959 DM, up from 1.7888, and in Paris at 5.9953 French francs, up from 5.9790.

U.K. Auctions Its First Bonds

LONDON - The Bank of England, using a U.S. Treasury techrique, held its first auction of British government bonds Wednesday in an effort to speed sales and limit the impact of market volatility.

In a shift from its traditional sales at a fixed price or in variedamounts at market levels, the bank auctioned £1 billion (\$1.67 billion)

of five-year bonds. Dealers said the auction allows the central bank to put more pressure on major dealers to buy a new bond issue, since the bank

allows them special privileges in day-to-day market trading.

The bank is expected to sell up to £15 billion of bonds this year, and hold two to three auctions for as much as £1.5 billion each. Dealers said that at Wednesday's auction of 8 percent bonds, a major portion sold at better-than-expected prices ranging from 98.25 to 98.75 on a face amount of 100.

U.K. Encourages Platinum Trade

LONDON - Platinum and palladium trading in Britain should be more accessible to investors after a decision by tax authorities to give the market zero-rating for value added tax starting June 1, dealers

The London platinum and palla-

cured on Tuesday VAT-free status for wholesale business. The 15 per-cent VAT had tended to drive most

Dealers said the market should be better able to compete with plat-Mercantile Exchange. Investor in-terest has risen because of higher Exports boomed in the 1960s as dies 44 percent of the total Dutch terest has risen because of higher

FLOWERS: Dutch Use Computers to Maintain Exports

(Continued from first finance page) (\$2.4 billion at current exchange rates), up from 4.56 billion guilders

Surprisingly, the tulip, the flower most associated with Holland, ranks only fourth in sales after roses, chrysanthemums and carna-

tions, officials say. The country's tulip fields, a favorite tourist attraction in the spring, actually play only a small role in the overall industry and exist primarily to produce bulbs, not flowers. Nine out of ten cut flowers are grown in greenhouses, where strength of the guilder has raised computers are also being used to

carefully control the climate. The introduction of the tulip into Holland was the work of a French botanist. Charles de l'Ecluse, who left his job as director of the Imperial Gardens in Vienna in the late computers and automated equip minutes, the flowers can be enroute 16th century to become professor business offshore, one dealer said. of botany in Leiden. He brought with him tulip seeds and bulbs he had received from a diplomat er-producing countries are greatly to Japan. inum futures on the New York Iriend in Constantinople, and the expanding production and exports.

12 Manis Hogh Low Stock

creased in Europe, especially in auction pits — one for roses, three West Germany, which accounts for for other cut flowers and one for 50 percent of Dutch flower exports. house plants.

The industry continues to post healthy growth rates even at a time tion's computer, using a card conwhen traditional agriculture in Eu-taining their personal code rope is burdened with overproduction and unwanted surpluses.

Despite the industry's overall health, flower and plant growers tioneer's comments on the flowers' worry about rising world produc- grade and classification. tion and the resulting pressure on prices. They also face declining bidding begins with an upper maxisales in the United States - their fourth largest market - as the

prices in dollar terms. Martin Maarse, the Aalsmeer auction's marketing manager. said part of the rise in output stems from productivity gains in the Netherlands, where the greenhouse ment create the right mix of sunlight, water and fertilizer.

At the same time, younger flow-The Aalsmeer auction alone han-

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counterclockwise, the first bidder to press his button and stop the clock is the buyer.

The computer quickly compiles a bill, allowing the buyer to pick up his flowers 15 minutes later. Within to Schiphol Airport 5 kilometers (3 miles) away, for afternoon delivery to markets from the United States

Buyers first "log in" to the auc-

As the flower trolleys move

across the floor, bidders listen through small headsets to the auc-

In typical "Dutch auction" style,

As the hand of the clock sweeps

mum price and quickly descends.

"We have to move quickly," one grower said. "It seems like it's always Mother's Day somewhere when you have a world market."

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est rate cuts with the more dramatic step of a discount rate cut briefly buoyed the dollar in the morning. U.S. officials see a wider gap be-tween West German and U.S. interest rates as a key component in stabilizing the dollar.

occupied with U.S. trade figures. In earlier European trading, the

dollar was fixed in Frankfurt at It closed in Zurich at 1.4740

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INTERNATIONAL HERALD TRIBUNE, THURSDAY, MAY 14, 1987

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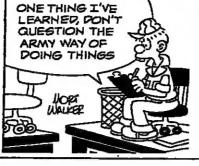
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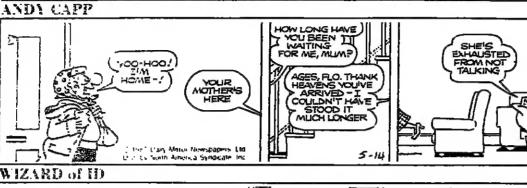


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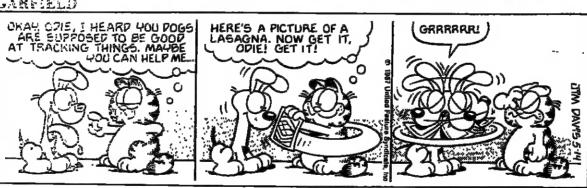


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BOOKS

STORMING THE MAGIC KING-DOM: Wall Street, the Raiders, and the Battle for Disney

By John Taylor. Illustrated. 261 pages. \$18.95. Alfred A. Knopf, 201 East 50th Street, New York, N. Y. 10022.

Reviewed by Christopher Lehmann-Haupt

WHAT do Mickey Mouse, Ivan F. Boesky, Snow White, Sid Bass, Disneyland and the law firm of Skadden, Arps, Slate, Meagher & Flom have in common? All play key roles in John Taylor's "Storming the Magic Kingdom," a complex story of high financial intrigue made as pungent as a fairy tale in its author's able hands. author's able hands.

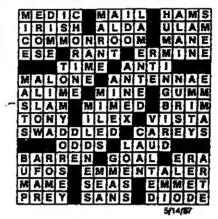
Mickey Mouse and Snow White, of course, are two of the cartoon characters that helped make the growth of Walt Disney Productions into what the author calls "one of the most successful marketing stories of the 20th century." But almost as significant in the long run, they are two of the products that Walt Disney reserved the right to license privately, a maneuver that antagonized his brother, Roy O. Disney, and ultimately split the company into factions known as the Walts and the Roys.

Disneyland, along with Walt Disney World and EPCOT, is part of the real estate empire that had come increasingly to preoccupy Walt Disney at the time of his death in 1966 and further weakened the company by distracting him from the movie side of the business, which was rapidly falling out of step with the times.

Boesky, of course, was an arbitrager — or arb, as such speculators are known on Wall Street — until his recent guilty plea in an insider-trading case. He invested hugely in

Disney stock when he learned (legally, in this case) that a financier, Saul P. Steinberg, was exploiting Disney's weakness by attempting a hostile takeover. The law firm of Skadden, Arps arranged the buyback, or "greenmail," whereby Disney eventually fended off Steinberg's raid by paying him a premium for the stock he had accumulated. When the Disney

Solution to Previous Puzzle



company finally got straightened out, Sid Bass and his brothers, who had also bought heavily into the stock, ended up with a capital gain of

\$850 million.

Actually, the story told in "Storming the Actually, the story took in Stortung the Magic Kingdom" is far more complicated what with the many factions vying for power in the company and the variety of strategies used to light off hostile acquisition. But Taylor, a senior writer for Manhattan Inc. magazine, does a skilled yaru spinner's job of keeping all the threads untangled.

True, he has going for him a story as archetypal as "The Three Little Pigs." On one side were the wolves, the creatures who occupied what Taylor calls "the tiny, incestuous world of takeover mercenaries; men, by and large, at a handful of investment banks, law furns, and public relations agencies, who were sometimes professional adversaries and at other times professional allies, depending on who retained

them in any given battle."

On the other side were the keepers of the magic kingdom, who, at least in their view, were nothing less than "a force shaping the imaginative life of children around the world," Indeed, so naturally does Taylor's narrative

unfold that it isn't until near the end that a reader pauses to ask what the deeper point of it all might be. Almost immediately, the author supplies some possible answers. One of the most salient is that despite Wall Street's recent insider-trading scandal, most of the information that gets passed around to the profit of interested parties is perfectly legal. As Taylor concludes: "The battle for Disney unfolded in the manner it did, and assumed the outcome it finally did, because the arbs, brokers, bankers, and lawyers all knew one another. If they didn't all share the same values, they did speak the same language and employ the same frame of reference. They were all insiders."

For critics of corporate raiders, Taylor suggests, the Disney story illustrates the vast amounts of time and money corporations are forced to waste defending themselves in useless takeover battles. In contrast, defenders of the raiders "have cited Steinberg's takeover at-tempt on Disney as an outstanding example of the useful role raiders play in identifying un-derperforming companies and forcing changes which improve that performance."

Some readers will insist that the dubiousness of this latter argument is self-evident from Disney's having gone from producing "Snow White" and "Pinocchio" to putting out such recent films as "Down and Out in Beverly Hills" and "Ruthless People," Others, not so enamored with the classic Disney vision, will respond that the change is just as well.

Taylor himself draws no final conclusions on this score. Nor does he really need to. He has dug up and told a story that typifies what is happening in American business today. He has wrung high drama from the financial news, and in so doing has shown us a world we rarely get to sec.

Christopher Lehmann-Haupt is on the staff of The New York Times.

BRIDGE

By Alan Truscott

RED FACES among de-fenders are often the result of failing to defeat a contract that was easily beatable decide the issue. He made a soc and West should therefore by cashing winners. Such plays are childishly easy when look-queen was captured with the not easy. ing at a full diagram but can ace. need careful thought at the ta-

An example is the dia-won with the king, and the gramed deal, reported by Al-moment of truth had arrived. fred Pagan of Westwood, New As many would, he rouninely Jersey, from an interantional led a "safe" heart, and South match point game at the Wald-made the slam when the spade wick Club in February.

playing strength, but neverthe-

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way to know that an opening lead of the diamond ace would queen was captured with the not easy. South thought matters over and led the spade queen. East

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East had to assume that his

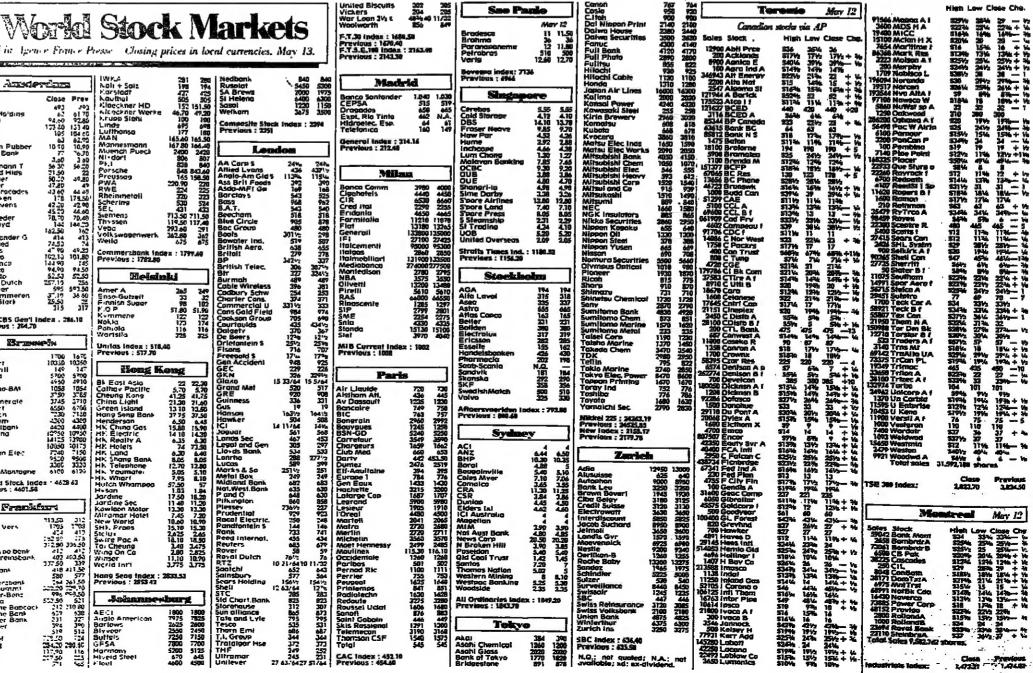
was no hope for the defense. If West held the club ace, he the belief that the opening promises substantially more was sure to make it. It was high-card strength than he actually has. The sequel proved this point: South charged into six no-trump, a terrible contrally was no nope for the ordense.

If West held the ciub ace, he was sure to make it. It was most unlikely that West held the heart king: it would mean that South had selected six no-six no-trump, a terrible contrally was no nope for the ordense.

clear that South held strong Sitting West, Pagan had no spades that he was developing. The most likely card for West to have was the diamond

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Pirates Are Cashing In on Steadier Bonds

PITTSBURGH — Barry Bonds, a 22-year-old centerfielder and the son of a former major league star, has been highly touted since join-

BASEBALL ROUNDUP

ing Pittsburgh early last season. Until the last 10 games, however, he had shown only flashes of bril-

But these days Bonds is Pittsburgh's brightest star. He has raised his average 63 points in two weeks, going from .212 to .275, and his three-run home run helped the Pirates rout San Diego, 12-5, here Tuesday night.

As a rookie last year, Bonds heard the comparisons to his father Bobby, to Eric Davis, to Darryl Straw-berry. The trouble, he said, was that he listened --- and wound up batting 223 and striking out 102 times.

Now he's showing signs that he can deliver on what Manager Jim Leyland calls "the kind of talent you don't see every day."

Bonds recently began extra bat-ting drills designed to make him more patient and to keep him from chasing bad pitches. On Tuesday he had three hits and scored four runs.

Winning pitcher Rick Reuschel apparently struck out to end the second inning but reached first when catcher Benito Santiago was unable to hold the 3-2 pitch from Andy Hawkins. Bonds followed with a homer to straightaway center

that gave the Pirates a 4-2 lead. Cardinals 6, Giants 5: In San Francisco, Willie McGee's two-run home run helped rookie left-hander Joe Magrane win his third straight decision as St. Louis edged ahead of Chicago and into first place in the National League East.
Dodgers 7, Cubs 0: In Los Ange-

les Rick Honeyoutt pitched his first shutout since he beat Houston, 1-0, on April 17, 1984.

Astres 5, Phillies 2: In Houston, Jose Cruz doubled home two runs to highlight a four-run first that helped the Astros end a three-game losing streak.

Braves 5, Expos 2: In Montreal pitcher Zane Smith hit a three-run double and registered his fourth

straight victory. Mets 6, Reds 2: In Cincinnati, rookie David Cone threw a fourhitter for his first major-league vic-tory as New York snapped a fourgame losing streak. Cone's complete game was the fourth of the year for a staff that notched 27 last season. Orioles 10, Twins 7: In the Amer-

ican League, in Baltimore, Fred Lynn hit a bases-loaded home run in the eighth to forge a 7-7 tie and Larry Sheets ended the game in the ninth with a pinch-hit, three-run shot in a 14-year career with Boston, California and the Orioles, Lynn is batting 328 with 33 homers and 111 RBIs in 129 games against Minnesote, "It really doesn't marter who they have over there," he said. "Tve faced guys I've never seen before and get home runs and then from fourth place to first in the game as the Red Sox ended Seat-

never see them again." Athletics 10, Brewers 8: In Milwaukee, rookie Terry Stembach York, Willie Randolph singled land, Larry Parrish hit a three-run double and a single to lead a 17-hit with two out in the 13th to hand RBIs with a home run and a single

seventh straight loss. to, rookie Bill Peccta went 4-for-4, Gardner pitched out of seventh- Darnell Coles ended a 4-for-64 including a bases-empty homer, as and eight-inning jams, and left slump with a two-run homer and a

Western Division. Yankees 5, White Sox 4: In New

attack that sent the Brewers to their Chicago its sixth straight defeat. as Texas spoiled Steve Carlton's venth straight loss.

Red Sox 3, Mariners 2: In Bosfirst start for the Indians.

Royals 3, Blue Jays 1: In Toronton, relievers Joe Sambito and Wes

Tigers 15, Angels 2: In Detroit,

Kansas City won for the seventh fielder Mike Greenwell threw the two-run double to spark a rout of time in nine games and moved tying run out at the plate to end the California.

Rangers 6, Indians 1: In Cleve-

Pitcher Gooden Passes a Minor Test

By Thomas Boswell

NORFOLK, Virginia - Dwight Gooden couldn't sleep much Monday night, thinking about Tuesday night's game against the Richmond Braves. The great New York Met right-hander, in his first game since undergoing 28 days of cocaine rehabilitation, wasn't worried about facing Trench Davis, Bean Stringfellow or any of their Interna-

tional League mates, It was the crowd he couldn't get off his mind. "I was hoping I wouldn't get booed," said the 22-year-old. "I didn't know how they would react to me. I knew it would be a home crowd, but you never know until you go out there. I haven't heard cheers in a long time. They felt good."

The sellout Tidewater Met crowd of 6,128 cheered when Gooden walked onto the field half



Dwight Gooden

"... I haven't heard cheers in a long time."

an hour before game time. It gave him a standing ovation as he took the mound. And it rooted for all 39 of his pitches (24 for strikes) as he worked three shutout innings, permitting only one misjudgedflyball hit and two walks.

The 1985 National League Cy Young Award winner was not the strikeout master who earned the nickname Dr. K in Shea Stadium. He threw only six curveballs and never got a change-up over the plate. Only one Brave struck out and few of the dozen hitters looked overpowered, even in twilight conditions. But the radar gun clocked his fastball at 95 mph (153 kph) twice in the second inning. By the third, he'd failen into the 80s, although his last pitch of the night was 93.

As a tune-up for a valuable and much needed, pitcher, Tuesday's game was hardly conclusive. Gooden's fastball was dead straight, a problem during his 17-6 season last year. But the curveball that struck out Al Pardo was such a wicked down and-in drop that the left-handed hitter looked like he was trying to put out a flaming rug with a bat.
Said Dave Pavlick, the Mets' roving minor-

league pitching coach who is overseeing Gooden's return: "He looked about average for Dwight at this time of year" — by which he meant early

spring training.
It was Gooden's first positiive experience in some time. He lost twice in the 1986 World Series and missed the victory parade the day after the Mets became world champions. In the offseason he was arrested and beaten during a confrontation with hometown police in Tampa, Florida. He ended up pleading "no contest" to resisting arrest.

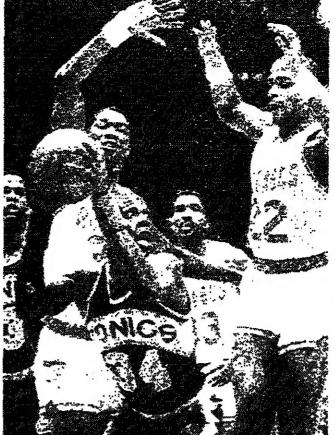
But Tuesday evening, warm and cloudless, was as simple and pristine as a scene from "The Natu-ral." Tidewater's first sellout crowd since opening day even implored Manager Mike Cubbage to let Gooden bat after his prescribed three innings of work were finished. Gooden did - and struck out, grinning sheepishly. The only other time he smiled was after he bounced an easy throw to first baseman Clint Hurdle.

For this Triple-A town, Gooden's appearance was a special occasion. More than 100 members of the national media used a press box with one phone. Fans bought every ticket within five hours after they went on sale Monday at 9:30 A.M. The first fan in line had been there since Sunday night. "It's great being the media capital of the world for 40 minutes," said Tidewater's general manager,

Dave Rosenfield. "Thank goodness Gary Hart didn't quit today or nobody would be here."

"Some of these guys on my team will never get to face Dwight Gooden again," said Richmond's manager, Roy Majtyka, meaning they'd never make the majors. "For some of them, it could be the highlight of their career."

Cubbage came to the ballpark early, got out a lineup card and carefully wrote Gooden's name in the No. 9 slot before he'd written any other name. "Damn, that looks good," he said



McCray scored 26 and 24 points, respectively, to trigger Houston. play cooler tonight. From now on, ets never trailed again. (UPI, AP)

Lakers Advance in West; Rockets Win to Stay Alive

Compiled by Our Staff From Dispatches we're going to just piay basketball INGLEWOOD, California — and be the silent assassins." Reaching the conference final sig-

the Los Angeles Lakers, it's routine. The Lakers reached the Western straight year Tuesday night after

NBA PLAYOFFS

disposing of the Golden State Warof-seven series in five games. running game and pulled to within Meanwhile Houston downed Seat- 66-56 at halftime. tle to draw to within 3-2 in the other conference semifinal.

There have been no surprises." said guard Magic Johnson. "We are where we expected to be." Los Aneles got there with a balanced ofensive artack - James Worthy had 23 points, Johnson added 19 points and 13 assists, A.C. Green had 20 points and Michael Cooper 17.

Guard Eric Floyd who had 51 points in the Warriors' Game 4 victory, was held to 18 on 7-of-17 shooting as Cooper, honored before the game as the NBA's defensive player of the year, kept the clamps Corralling Xavier McDaniel, Akeem Olajuwon (left) and Rodney

on. "We got one-upped in Oakland," Cooper said. "We decided to

Rockets 112, SuperSonics 107: nals a great season for most National Basketball Association teams. For the last Association teams for the last Association teams. pulled down 10 rebounds to help the Rockets keep alive their hopes Conference final for the sixth of a second straight conference litle. The winners' Akeem Olajuwon

added 26 points. Houston jumped in front in the first quarter and held a 59-38 lead with 5:25 left in the second quarter riors, 118-106, capturing the best- before Seattle shut off the Houston

> "I thought we played well at the start, but Seattle wouldn't settle for that," said Bill Fitch, the Houston coach. "The McCray's individual effort was outstanding. The mistakes he made were from fatigue."

McCray played all but one minute of the 48-minute game. "There's only one month left in the season," said McCray. "I'll get plenty of rest

Seattle out the deficit to 89-86 going into the fourth quarter and took its first lead, 97-96, on a 3pointer by Tom Chambers with 7:11 in the game. But Olajuwon hit a basket with 4:15 left, and the Rock-



Ivan Lendl: Vis-à-vis Borg, a stereotyped game only marginally less interesting and an on-court countenance no more impassive.

Tennis Recovers From Its Post-Borg Malaise

SCOREBOARD

Basketball

National Baskethall Association Playoffs May 13: Alliwoukee of Socion E-May 15: Boston at Milwoukee 1-May 17: Milwoukee of Boston

CONFERENCE SEMIFINALS TUESDAY'S RESULTS

Golden Sterie 25 23 25 25—106 L.A. Lokern 22 23 34 79—118 Worthy 9-11 5-2 23, Green 8-13 4-6 22; Short 9-Worlny F1154 25 Green Flowers, Solden Stole 56 (Smith 23), Los Angeles 59 (Abdul-Jobber 9), Assists: Golden State 20 (Floyd 11).

NBA Playoff Schedule

EASTERN CONFERENCE SEMIFINALS ne 126, Boston 721, OT

BASEBALL

utilelder, its Seattle for Mork Hutsmann, https://seat.Frank.Willis, adcher.autright to jutiols of the American Association MILWAUKEE—Sent Ernest Ries, short-

5-day disopled list, Recoiled Alex Sanchez

TUESDAY'S RESULT

Mestroni
Philadelphia
1 1 8—2
B. Smith (2), Robinson (2), Loswig (3), Carbonneou (3), Lornieux (4), D. Smith (5), Melloniby (3), Stofe ee paet: Mentreal (on Heriall) 16-4-11—36: Philadelphia (on Hayward)

MAY 8: Philodelphia 4, Montreol 3 (07)
May 6: Montreol 5, Philodelphia 2
May 8: Philodelphia 4, Montreol 3
May 18: Philodelphia 4, Montreol 3
May 18: Philodelphia 4, Montreol 3
May 18: Maprison 5, Philodelphia 2 May 12: Montreal 5, Philis x-May M: Philodelphia a x-May 14: Philodelphia at Montreal X-May 16: Montreal at Philodelphia

Baseball

Tuesday's Major League Line Scores

Cleveland Sol Sol Store 1 7 8
Hough, Mahercic (8) and Singshi / Carlfon,
Yelf (8), Bolles (9) and Dempsey, W—Housh,
3-1, 1—Carlfon, 2-3, HRs—Texas, O'S-len (5),
Parrish (8), Cleveland, Jacoby (4),
California 82 see 885— 2 4 4
Defroif 413 428 613—15 18 4
Lune, Luces (3), Singles (4), and Rooce,

Coles (1), Heath (4).

NATIONAL LEAGUE

New York: 288 500 506—6 11 0
Cinchesti 080 609 629—2 4 1
Cone and Corler; Reuss, Hoffman (2), Williams (7), Murphy (9) and Dieze W—Cone, 1-2.
L—Reuss, 6-1. HRs—New York, Johnson (5).
Cincinnoti, O'Nifili (2), Domiels (9).
Son Diese
Pittsburgh 130 603 55x—12 15 7
AVER

doli Wabster, Inedoccier, ono kuber treat, defensive tockie. Signad Son Kennedy and Kevin Dean, linebackers, and Teny Gladney and Sost Maynard, wide receivers. SEATTLE—Signed Dutty Cobs and David Holits, cornerbacks; Bric Hamilton and Eric Hodges, wide receivers; Michael Calloway Charles, David David Holits, Carperbacks; Brichalles, Donathies. and Victor Perry, offensive tackles; Ron Bohm, defensive end, and Tray Hendrix, run-Notitional Hockey Leasue
PITTSBURGH—Announced it has dropped
Baltimore at the American Hockey Leasue os
Its minor leasue attillate.
COLLEGE
Kansas Cit West Division 16 13 552 — 16 15 545 — COLLEGE

NCAA—Placed the Brooklyn College boskettadi program on one-yeor probation for
recruiting violations and failure to reset obligations of movine from Division III to Divi-18 15 545 — 18 15 545 — 18 15 545 — 17 15 531 ½ 15 17 .469 ¾ 13 16 .448 3 10 19 .345 6 Lion I.

CLARION—Named Bill Miller women's Chicago WHITEING COOLS.
HOLY CROSS—Named Robert Surette soc-

NATIONAL LEAGUE HOUSTON AS 90H cooch.

Kelm Fersus as 90H cooch.

HUMBOLDTSTATE—Named Chorles LinMontreal
Montreal Montred Levis Perkins of Hew York etic director.

ST. LOUIS—Signed Rich Grower, baskelPhilodelphia -Nomed Ea McLeon basket- San Francisco SAMFORD—Normed Ed McLeon busketbrill cooch.
TRENTON STATE—Normed Kevin McTRENTON STATE—Normed Kevin McHugh athletic director, effective June 30.
WISCONSIN-STEVENS POINT—Normed
Son Diespo

And the second s

Tuesday's Major League

AMERICAN LEAGUE

Chicase 190 age 220 190 0—4 19 0

New York 270 616 900 190 1—5 9 1

Long. Scortupe (8), James (9), McKeon (12),
Thigeer (13) and Kortupvice, Fisk (9), Niekkeon (12),
Righeriti (8), Guonte (11) and Carone, Skinner
(11), W—Guente, 3-1, L—Thigeeru 1-2, HRS—
Chicase, Redus (2), New York, Word (4), Pagligrulo 2 (4),
Mianesots 94 91 920—7 11 0

Beiltmore 940 219 93—16 18 9

Viole, Afterton (8), Reorden (8) and Niero;
Dison, 3-2, L—Reordon, 1-3, HRS—Boiltmore,
Knight (4), Van Gorder (1), Lynn (3), Sheets

**Control of the Control of t

1. Sv.--Warrell (4), HRs.--St. Louis, McGee (3). San Francisco, Breniv (1).

1. Paul Azinger 2. Payte Stevori 3. Mark Coloxyect 4. Corev Payln 5. Ben Crenshow 6. Lanny Wadikins 7. Hall Sutton 8. Larry Miss. 9. Fred Couples

AVERAGE DRIVING DISTANCE

1, Davis Love 111, 278.9.2, Gree Norman, 277.0. Major League Standings

Major Cogrody, 275.4 & Freit Blockmore, 273.1.7,

Mark Colcovectio, 273.4 & John Blockmore, 273.1.7,

Mark Colcovectio, 273.4 & Freit Couples, 275.5,

Major League Standings

By Richard Evans

ROME — There is something Howkins, Letterts (6). Dovis (8) and Souther of the legacy whenever they meet in exhibition matches. But McEnroe has a somewhen be retired so prematurely what subjective answer to the prob-838 110 808-5 8 2 four years ago. The great Swede, who worked a near miracle by win- the current leader, Ivan Lendl. ning Wimbledon five successive a void difficult to fathom.

bored himself into retirement.

with it in Borg's era, now express a ment would remain.

Compiled by Our Staff From Dispatches

treal Canadiens on Tuesday redis-

and stayed in front to earn a 5-2

meter) from the left circle. "We

made a change tonight, which I'm

not going to talk about, but getting

the lead was part of it. That's impor-

Until this year, only two teams

had recovered from 3-1 deficits in

70 years of Stanley Cup play, in

1987. Detroit and the New York

Islanders did it in earlier rounds.

"We're certainly cognizant of that," said Smith. "We know it can

be done if you're a better team than

"Getting the lead was vital," said

victory over the Flyers.

PHILADELPHIA — The Mon-

John McEnroe, who succeeded Borg stereotyped game is only marginal mouning of the U.S. tennis equipas world No. 1, feels it and contin- ly less interesting than Borg's, and ment industry - did it really exlem, and points the finger firmly at

"People care less about the game years with a suspect volley, has left now because they couldn't care less about Lendl," says McEnroe with Despite his Wimbledon tri- that piercing directness that makes umphs he was not, by the strictest the faint-hearted wince. "The way standards, a great grass-court play. he has worked to make the most of er. Nor in any sense could his per- what he has is admirable, but nosonality be matched against that of body cares. I know I've shocked wielding forerunner of Crocodile but at least I create interest. Lendl Dundee. Although entirely person- creates nothing, and he's No. 1."

able, Borg was just a little boring — McEnroe readily admits that the more to himself than to others, antipathy between them is likely to Playing as he did, grinding it out cool off once they are no longer in from the backcourt, he virtually direct competition (McEnroe even ored himself into retirement.

So why do we miss him so? Why

Connors these days). But even if his do people on the periphery of the thinking were not colored by rivalgame, who were totally caught up ry, the kernel of truth in his state-

who sold his New York residence, found impossible. And yet. . . .

often irrational public response. Borg, Connors and Nastase, three had it, Last year's French Open impishly eccentric flie Nastase or people and that there are those who finalist, Michael Pernfors, has it to Despite the valiant efforts of that of John Newcombe, a racket-think I set a bad example to kids. a startling degree; to an extent not Tim Mayotte, a troubled McEnroe

ree points out, Lendl is No. 1. posite is true.

adiens were determined to come

back from Sunday's lackluster 6-3

we're a tough club to beat."

didn't like it."

the game.

not quite right about the legacy whenever they meet in exhibition no more impassive. Off the court, early 70s would continue unaba-Lendl is far more expansive - a ted, or that graphite rackets would hearty joke teller who has thrown need replacing as often as wooden himself body and soul into the U.S. ones? — more people are paying to way of life in a manner that Borg, watch the game than ever before. That's not only true in Europe,

where over a three-weeks period last There is, of course, a chemistry fall (the sport's offseason, if there is in some performers that stirs an one) more than 300,000 people attended tennis events in Paris, Stockholm, Answerp, Düsseldorf and vastly different personalities, all Florence, but, against all logic, in the United States as well.

yet defined, so too does Boris and a fading Connors are still the Becker. But Lendl, through no fault two best U.S. players — which says of his own, doesn't. And, as McEn- little for the quality of the upcoming generation in what, increasing-All this might suggest that Ivan ly, is supposed to be a young peris quite terrible, that the game is in son's game. With the U.S. Open a mess and that people are deser- and most of the other top U.S ting it in droves. Strangely, the op-grand prix tournaments consistentosite is true. ly dominated by Swedes, Czechs, Despite the slight feeling of mal- West Germans and Frenchmen. aise; despite the drop in American one might have expected promoters feeling of diminishing interest? Even Yet where is the logic? Lendl's television ratings: despite the to join their manufacturing col-

leagues in a mutual suicide pact. Yet the facts keep defying reason. Sponsors keep knocking at the door: prize money, having ignored recession, keeps rising ahead of inflation and attendance figures simcorner off a Philadelphia skate at ply grow and grow.

excited the sellout crowd of crazy to build a 10.500-seat stadi-17,222 with a goal 48 seconds later um at Indian Wells, in the middle to make it 4-2; Montreal's Claude of the California desert. Yet the of the California desert. Yet the Lemieux closed out the scoring on a breakaway with 34 seconds left in weekend of his grand-champions event in February.

The World Championship Tennis finals in Dallas are supposed to have lost their importance since being incorporated into the grand prix, but last month more than 16 000 watched McEnroe play Stefan Edbeat ourselves. Tonight we didn't.

berg — the largest Friday night
We kept 3-on-1 and 2-on-1 breaks

growd in the even's 17-year history. crowd in the event's 17-year history.

> maintained the trend when Becker lost to the eventual champion. Andres Gomez, in the semifinal of the Tournament of Champions at Forest Hills, New York. The stadium, which used to house the U.S.. Open, set an all-time attendance record of more than 14,000.

Robinson, who has six Stanley Cup rings, contributed three assists But he refused to see himself as the for ourselves. Now we're digging Lendl's crown, forget it.

ourselves out,"

13:48. Scott Mellanby momentari-Charlie Pasarell was told he was Coach Jean Perron said the Can-

to a minimum. When we do that Last weekend, East Coast fans Perron said that after the Flyers scored their fourth goal on Sunday. "We quit. Not on purpose. But that goal took a lot of spirit out of us. Our bench was almost dead, I

In Rome last week, Italians even as well as his goal Tuesday night. buried their chauvinistic tendencies and turned out in record numbers key. This isn't a one-man game, We to watch the women, and if you. pride ourselves that 20 men come to haven't secured a ticket for the work every night," Robinson said. French Open, which starts at Stade "When you're down 3-1 there's not Roland Garros on May 25 with an much to be said. We dug a big hole intriguingly diverse cast vying for

So where's the problem? Or is "This doesn't call for any celebra- there one? Perhaps the afterglow of tion," said Hayward, who stopped nostalgia and regret that Borg has 24 shots. "We're still one game away left behind is not as potent as some from being eliminated." (AP. UPI) would have us believe.

Sectifie 22 34 32 27—107

Aquation 16-19 4-12 34, And-Croy 9-12 4-7 24;

Bounds: Sectifie 48 (Chombers 4-14 4-7 15, Resident Sectifie 48 (Chombers 9), Houston 35

IMCCroy 18), Assists: Sectifie 26 (Johnson 4),

Nousion 27 (McCroy 11),

18 22 32 25—104

And 17: Alteroide or Berrior

Amy 1: Advance 115, Detroit 102, Attente 115

May 2: Detroit 108, Attente 116

May 10: Detroit of Attente 116

Advance 17: Advance 116

May 1: Attente 115

May 1: Attente 115

May 1: Detroit 108, Attente 116

May 1: Attente 115

May 1: Detroit 108, Attente 116

May 1: Attente 115

May 1: Attente 115

May 1: Detroit 108, Attente 116

May 1: Detroit 108, Attente 117

May 1: Attente 115

May 1: Detroit 108, Attente 116

May 1: Attente 115

May 1: Detroit 108, Attente 116

May 1: Detroit 108, Attente 116

May 1: Attente 115

May 1: Detroit 108

May 1: Detroit 10 WESTERN CONFERENCE SEMIFINAL

May 2: Septite 117, Houston 104, OT Mey 2: Seattle 111, Houston 104.

Mey 2: Seattle 94, Houston 97

Mey 2: Houston 102, Seattle 84

Mey 9: Seattle 117, Houston 103

Mey 12: Houston 112. Seattle 104

--May 14: Houston of Seattle 107

--May 14: Seattle of Houston

Herry 12: Secrité d' Polision Mary 7: L.A. Lokers 125. Galden State 116 Mary 7: L.A. Lokers 135. Golden State 101 Mary 9: L.A. Lokers 135. Golden State 108 Mary 10: Golden State 129. L.A. Lokers 131 Mary 12: L.A. Lokers 118. Golden State 106

BASKETBALL

HOCKEY

cer crock.
HOUSTON—Announced the appointment of

Transition

er. Optioned Siti Landrum, pitcher, to Nosh-ville of the American Association, ST.LOUIS—Contoned Gree Mathews, pitch-American League

BALTIANDRE—Recolled Milks Young, outitelder, and Jack O'Concer, olicher, from
Rochester of the informational League, SelfNetson Simmons, buffelder, and Milks Kisnumer, bufcher, to Rochester,
CLEVELAND—Traded Dove Gollagher,
outbleber, to Sectile for Mark, Hubsmann, er. to Lautsville of the American Association. Nettenet Basketball Association
PHILADELPHIA—Signed Matt Guokas.

FOOTBALL POOTBALL

National Pootball League
INDIANAPOLIS—Wolved Mark Sch Institution to the control of the co detensive lineracm; Pete Hibler and Alon Her-line, renters; Dorryt Hohms, defensive back, and Kirk Jones, running back.

SAN FRANCISCO—Walved Rennie Bern and Joe Cormier, wide raceivers; Etvis But-ler, detensive end; Dirk Nelson, number; vance Pika, center; Rich Spelman, place-tacker; Eric Stokes, offensive tockle; Ram-doli Wabater, inebacker, and Robe I Weir, segments broke. Stoned San Kennedy on

Hockey

NHL Playoff Semifinals

NHL Playoff Schedule

WALES CONFERENCE FINALS

CAMPBELL CONFERENCE FINALS May 5; Detroit 3, Edmonton 1 May 7; Edmonton 4, Detroit 1 May 9; Edmonton 2, Detroit 1 May 11: Edmonton 3, Detroit 2 May 13: Detroit at Ean a-May 15: Edmonton of Detroit

Detroit 413 428 013-15 to 7 Lugo, Lucas (3), Finley (6) and Boone, Miller (7); Patry, Henneman (8) and Heaft, W—Petry, 1-3, L-Lugo, 6-2, HRs—Detroit,

Coles (1), Hearin (4).

Ranges City 216 808 080—3 21 0
Toronto 506 188 600—1 6 8
Block, Quisenberry (9) and Owen: Constit.
Nunez (3), Elichhorn (6), Henke (8) and
DeWills, W—Block, 2-0, L—Coruth, 1-1, 5v—
Quisenberry (3), HR—Kansos City, Pecoto

(Through A Barrain

Allwester Bell 1972 DG0— 8 17 2 Stewort, Neison (a), Onliveres (5), Howell (8) and Sleinboth: Birkbeck, Johnson (2), Allrabello (5), Bosle (6), Crim (7) and O'Brien. W—Slewort, 43. L—Mirabello, 2-1, 5v—How-en (6), MRs—Cokland, Davis (8). Milwoukes.

Trislon

W L. PCL. GB.
20 10 .667 —
21 11 .456 —
14 12 .450 2
15 17 .449 4
15 17 .449 5
12 19 .387 812
10 22 .213 11

Golf

70.15. 3. David Prost, 70.17. 4. Payne Stewart,

1. Colvin Perts. 821. 2. Miles Reid, 201. 3. David Edwards. J79. 4. Bob Murphy, J71. 5. Tam Kite, J86. 4. Larry Mize, J82. 7. David Frost, J78. 8. Roger Matthic, J85. 9. John Mahototev, J83. 10. Curits Stranse. J82. 7. John Mahototev, J83. 10. Curits Stranse. J82. GREENE IM REGULATION

1. Hal Sutton, J36. 2. Kenny Perry, J79. 3. Richard Zokol, J16. 4. Mark McCumber, J74. 3. John Mahatiey, J72. 6. Tom Worldon and Bruce Lietzke. J71. 8. Frad Cauptes. J96. 9. Ben Crenshow, J93. 10. 3 fied with J79.

PUTTS PER GREEN

1. Ken Brown, 1,734. 2. Nick Price, 1,746. 3. Lanny Wodkins, 1,747. 4. Gres Norman and Mark Colcovecchia, 1,736. 6. Dan Poolev, 1,753. 7. Sen Crenshow, 1,754. 8. Payne Stevart, Isao Aoki and Fred Couples, 1,756.

PERCENTAGE OF SUB-PAR HOLES

1. Mark Colcovecchia, J80. 2. Fred Couples, tant when the two best defensive teams in the NHL are playing." The Canadiens can even the series Thursday night at home. If they do, the series will return to Philadelphia for a seventh game Saturday night

1, Mark Collowstchia, 240, 2 Fred Couples, 230, 2 Cortis Stronge, 224, 4, Mike Sulfivan and Hall Sulfan, 222, 6 Bernhard Langer and Ben Cresshow, 220, 8, Poul Azinger, 219, 9, Phil Blackmar, 215. BIRDIES

the one you're playing." The Flyers tied the score at 12:37 1, Dove Rummells. 9. 2. Fuzzy Zoeller, 8. 3.

Dovis Love III and Ronale Block. 7. 5. 13 fled with a.

In Priyers tied the score at 12.37

of the first period when Derrick

Smith, standing at the crease, took "We dug a big hole for ourselves."

Canadiens Avert Elimination

covered the importance of the early a pass and poked it between goalie lead. After dropping two games to Brian Hayward's legs. Defenseman Philadelphia at home and going Larry Robinson put the Canadiens

tional Hockey League champions two goals in a 19-second span of took the lead 2:28 into the game the second period. Defenseman Craig Ludwig defeat. "We know that we're a betscored on a 2-on-1 break with Rob-inson at 13:29, and Guy Carbon-fourth game," Perron said. "We



NHL PLAYOFFS

down by three games to one in the ahead, 2-1, on a power-play goal at best-of-seven Wales Conference 14:48.

Playoff finals, the defending Na-Montreal sealed its victory with

Bobby Smith, who put the Cana-diens ahead on a 25-footer (7.60-

ART BUCHWALD

Give for the Contras

WASHINGTON — According ed in this project, although he's not to the House and Senate committees investigating the Iran-contra affair, most of the money raised dent, too? for the contras came from private sources. This is how the fund-rais-

tribution to the Low Channel Freedom Fighters Foundation?"

"What do you do?" "We perform deeds of mercy in the hills of Nicaragua, while Congress ig-

nores the Communist threat from Russia and Cuba."
"Will this money go to kill

Sandinistas?" What a question. Every S1,000 is used to Buchwald replenish needed food supplies in

"How can I be sure the funds are going where you say they are?"
"We send you the tops off every six-pack of beer that is delivered to the countryside. In that way it makes the war much more person-

"If I give to the contras, will I get to meet President Reagan?" "It goes without saying. The White House is open day and night to anyone who supports the foundation. We have our own man there and he will arrange for your picture or the entire Cabinet if it's in session. The president is very interest-

Giacometti Sculpture Sold for \$3.63 Million

New York Times Service NEW YORK - Alberto Giacometti's "Large Female Standing IL" a 107-inch (270-centimeter) tall bronze figure of a woman from 1960, was sold Tuesday night from Baron Lambert's collection at Christie's for \$3.63 million, the highest price ever paid at auction

The figure was one of three by the Swiss artist that were sold. The smallest figure, a 92-inch sculpture, brought \$2.53 million and the middle-sized woman, at 105 inches, was sold for \$3.08 million.

"Do I get to meet the vice presi-

"You don't even have to ask. The vice president is more auxious to meet you than you are to meet him. Would you care to make a con- Of course later he'll deny he saw

> never forget." "Besides meeting the president and vice president, what clse do I get for my money?"

"You will be personally briefed by a U.S. marine officer named North who knows about everything that takes place in Central America and any other hot spots in the world. He'il tell you which contras require bread, which ones are out of beans and who needs aspirin. We want our donors to know where every nickel is going."

"If I contribute will I become part of what you're doing?"
"You are a part of it now. Your check makes you a benefactor in this war or any other war in the

"Is there anything else my dona-tion entitles me to?" "If you would like to go down and kill some Sandinistas in the bush I can arrange it." "I'd rather have my money do

my talking for me. Say, are you really sure none of it is for guns?" "Would the president of the United States get involved with a foundation that is trafficking in

"Maybe he doesn't know." "How can the president not know what is happening in his own

White House? I said, "Mr. Reagan doesn't know a lot of things. That's why he's such a good president."

"Did I tell you that your contribution is tax deductible?" "Why is it tax deductible?"

"We inform everyone the money is going for Kleenex and dog food. What we do after that is nobody's

"That's fantastic. Put me down for \$5,000." Thank you. Here's a pass for the Oval Office. Just tell the president's side you made a contribution to our foundation and he'll

usher you right through without

Harry Mulisch's Assault on World War II

By Jonah Raskin

AMSTERDAM — Harry Mu-lisch lives and works in a comfortable apartment in the center of Amsterdam. At 60 he looks very much the successful author, rather than the 1960s personality who spoke for Amsterdam's nonconformist crowd in books like "Report to the Rat King," "In Memory of Che Gue-vara," and "The Sexual Bulwark," a psychological study of Wilhelm Reich.

More than any other contem-porary Dutch writer Harry Muisch has articulated the moods of several decades and several generations. He has had an uncanny ability to tell his readers how and what they are feeling before they themselves seem to know. And more than any other Dutch author Mulisch has an international reputation. In the United States he is best known for his 1982 novel "De Aanslag," which was translated into English as "The Assault," published by Pantheon in 1985.

"A cool brilliant modern horror story," Mary McCarthy wrote. "Brilliant," John Updike exclaimed. "Among the finest European fiction of our time," Elizabeth Hardwick declared.

Fons Rademaker's film of Mulisch's novel, the 1987 Occar winper as the best foreign film of the year, has added to the author's reputation. But the accolades from Hollywood probably won't alter an author who is firmly set in his ways.

World War II is still the pivotal event in his experience. It is still the war and it continues to send tremors across the embattled landscape of his memory and imagination. In 1962 Mulisch covered the Eichmann trial in Israel and wrote about it in "Case 40/61." In the novel "The Stone-Bridal Bed" he mapped the continning reverberations of World War II on two men, a Dutch war criminal and an American pilot who participated in the bombing of Dresden. And in "The Future of Yesterday" be offered a fright-ening picture of what might have happened if Germany had won World War II.

The great difficulty in writing about the war is that in the same measure that you reveal it, you



A Mulisch image: "A man walking backwards to push something forward."

hide it," Mulisch said. "Because to know the essential thing about the war it is essential that you know nothing about the war. Today we can read the history books, watch the films, learn the facts. But at the same time we know far less because the main thing about being in the war was that we knew nothing. We lis-tened to German radio but we couldn't believe it. We heard rumors that the Allies had landed but we couldn't be sure they were true. We read the underground newspapers issued by the Resis-tance and we wanted to believe they were true, but we couldn't be certain about their reports ei-

Harry Mulisch was born in 1927 and grew up in Haarlem. "It was only much later on when I began to tell people about my family that I began to realize how strange it was." Mulisch said. "My mother was Jewish and worked with anti-fascist organiza-tions. My father was a prominent banker who collaborated with the Nazis. My mother's Jewish friends had to wear the yellow

star. My father's associates wore the swastika of the Third Reich." guys, the Germans the bad guys."
When Holland was liberated. Mulisch's parents separated, then divorced, and his mother moved to the United States, eventually settling in San Francisco. Mulisch visits her often.

Mulisch's father, a stern disciplinarian, was his sole parent during World War II, a period the author remembers now with both horror and nostalgia. "The mili-tary curiew meant that no one allowed in the streets after dusk or before dawn. During the day it was too dangerous to go out, or to attend school." Too young to be drafted into the army, and not old enough to be accept-ed by the Resistance, Mulisch stayed at home reading adventure novels and thumbing through American magazines.

"German radio told us that America was ruled by thugs and gangsters," Mulisch said. "How wonderful I thought! I wanted to be a gangster! In those days evcrything was simpler. The United States could do no wrong. America was heaven. Germany was hell. Sinated by the Resistance. Mu-Fulbri The Americans were the good lisch shows how World War II. gium.

When Holland was liberated, Mulisch's father was jailed as a Nazi collaborator. "I visited my father every few weeks, and we maintained contact, but the war was a personal liberation for me,

liberation from my father." Mulisch moved from Haariem to Amsterdam, and began to write poetry and short stories. And yet for all the distance he put between himself and his father, Mulisch still seems to be emotionally linked to him. Mulisch has only to peer out the rear window of his ing room to see the prison where his father was incarcerated in 1945.

The autobiographical element adds a compelling dimension to his fiction, especially to "The As-smit," where the relationship between fathers and sons, older men and younger men, is so important.

In "The Accorded to Property of Mulisch the writer. Standing formly in place."

Nazis. Fake's father Ploeg, the chief inspector of police, is assas-sinated by the Resistance. Mu-Fulbright scholar teaching in Bel-

assaults Anton, how it stalks him and how he finally comes to terms with it and exorcizes its ghosts.
"The Assault" is by far Mulisch's most popular novel. In the Netherlands alone it has sold more than 350,000 copies. Though he intended no message, Mulisch stirred up painful memories. Perhaps if we remember the atrocities of the past we may not

be condemned to repeat them,"

he said. In the rest of Europe, too, the book has been widely read in the East and the West, highly regard-ed in both Prague and in Paris. Mulisch has not rested on his laurels. He has published two more novels — "The Comeback," about the return to the stage by an old actor, and "The Pupil,"

which he again makes dramatic use of World War II. For all his concern with the past. Harry Mulisch is remarkably preoccupied with the future, with human survival in the wake of destructive technology. In "The Assault" Mulisch de-

scribes a man who seems to "step out of another century." The main character observes him care-

"The man had one end of a pole several yards long attached to his waist, while the other end was fastened to the prow of a barge. Walking with heavy steps, he pushed against the pole and thus moved the boat through the water. At other times the man remained on deck and walked forward along the side of the barge, dragging the pole behind him through the water. When he reached the bow, he planted the stick sideways in the bottom of the canal, grasped it firmly, and walked backwards, so that he poshed the boat forward benesth his feet. This specially pleased Anton: a man walking backwards to push something forward, while staying in the same place him-

In "The Assault" two young firmly in place, he reaches back into the past and propels his reaction's father is murdered by the

PEOPLE

Congress Urged to Bar Coloring of Film Classics

Woody Allen and other film artists urged Congress on Tuesday to outlaw what they called mutilation of black-and-white movie classics by those who splash color on the familiar shades of Humphrey Bogart's dinner jacket and Ingrid Bergman's teary cheeks. Allen joined the actress Ginger Rogers and the directors Sydney Pollack, Miles Forman and Effect Silverstein in asking a Senate subcommittee to help protect American film artists. Their testimony came as part of their lobbying to extend copyright laws to govern what can be done with old movies.

The Benedictine monk Stanley L. Jaki, a Roman Catholic priest and professor at Seton Hall University in South Orange, New Jersey, who was honored for his writings on science and faith with a \$365,200 award, said he was able to say so much because for a decade he could not speak and had time to think and write. The Hungarianborn theologian and physics pro-fessor on Tuesday received the 15th Templeton Prize for Progress in Religion at a ceremony in London. Jaki lost his voice in a surgical mishap in 1953 and did not regain it until about 10 years later.

Frank Sinstra has canceled a June 8 conpert in Sweden after he was denied a tax exemption be-cause he performed in South Afri-ca, Swedish television reported. The singer would not be exempted from the 30 percent "artists' tax" because he is on a so-called United Nations "blacklist" for performing in South Africa in 1981 and 1983. according to the report.

Tom Cruise and the actress Mimi Rogers were married in a private ceremony last weekend, Cruise's publicist reported. Cruise, 26, star of "Top Gun," the biggest box-office movie of 1986, and "The Color of Money" married Rogers, 31, in New York City on Saturday.

Arthur Ochs Subberger, chair-man and chief executive officer of The New York Times Co. and publisher of The New York Times, was elected chairman of the Metropolitan Museum of Art, succeeding J. Richardson Dilworth, who resigned last mouth because of illness.

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